

**CVC Property Fund  
ARSN 107 276 184**

PROPOSED TO BE RENAMED

**360 CAPITAL TOTAL RETURN SUB-FUND  
ARSN 107 276 184**

**CIRCULAR TO UNITHOLDERS**

**COMPRISING**

**EXPLANATORY MEMORANDUM,  
INDEPENDENT EXPERT'S REPORT AND  
NOTICE OF MEETING**

**Date: Wednesday 21 January 2015**

**Time: 12.00p.m. (AEDT)**

**Place: Suite 601, Level 6, Goldfields House  
1 Alfred Street, Sydney NSW 2000**

**The Independent Expert has concluded that the advantages  
of the Proposed Transaction outlined in this Circular outweigh  
the disadvantages.**

This Circular is issued by CVC Property Managers Limited (ACN 066 092 028; AFSL 229809)  
as responsible entity of CVC Property Fund (ARSN 107 276 184).

**This Circular is important and requires your prompt attention. Please consult your stockbroker,  
solicitor, accountant, licensed financial adviser or other professional adviser if you have any  
queries as to its contents or are in any doubt as to how to respond to it.**

**TABLE OF CONTENTS**

<b>KEY DATES .....</b>	<b>3</b>
<b>IMPORTANT INFORMATION.....</b>	<b>4</b>
<b>INDEPENDENT DIRECTOR'S LETTER.....</b>	<b>6</b>
<b>EXPLANATORY MEMORANDUM .....</b>	<b>8</b>
<b>1. ANSWERS TO KEY QUESTIONS .....</b>	<b>8</b>
<b>2. OVERVIEW OF THE FUND AND THE NEW STAPLED ENTITY .....</b>	<b>15</b>
<b>3. DETAILS OF THE PROPOSED TRANSACTION.....</b>	<b>18</b>
<b>4. EVALUATION OF PROPOSED TRANSACTION .....</b>	<b>24</b>
<b>5. MANAGEMENT OF THE NEW STAPLED ENTITY .....</b>	<b>35</b>
<b>6. RISKS .....</b>	<b>38</b>
<b>7. FINANCIAL INFORMATION .....</b>	<b>42</b>
<b>8. FEES AND OTHER COSTS.....</b>	<b>49</b>
<b>9. TAXATION .....</b>	<b>53</b>
<b>10. ADDITIONAL INFORMATION .....</b>	<b>55</b>
<b>11. CORPORATE GOVERNANCE POLICIES .....</b>	<b>63</b>
<b>12. DISCLAIMERS AND REGULATORY MATTERS.....</b>	<b>67</b>
<b>13. GLOSSARY.....</b>	<b>69</b>
<b>ANNEXURE A: INDEPENDENT EXPERT'S REPORT .....</b>	<b>71</b>
<b>ANNEXURE B: INVESTIGATING ACCOUNTANTS REPORT.....</b>	<b>72</b>
<b>ANNEXURE C: SUPPLEMENTAL DEED .....</b>	<b>73</b>
<b>ANNEXURE D: DEED POLL .....</b>	<b>74</b>
<b>ANNEXURE E: NOTICE OF MEETING.....</b>	<b>75</b>
<b>CORPORATE DIRECTORY .....</b>	<b>80</b>

## Key Dates

<b>Due date for lodgement of proxy forms</b>	12.00p.m. (AEDT) on 19 January 2015
<b>Voting Record Date – to determine eligibility to vote at the Meeting</b>	7.00 p.m. (AEDT) on 19 January 2015
<b>Meeting</b>	12.00p.m. (AEDT) on 21 January 2015
<b>Trading in Ordinary Units to cease</b>	4 p.m. 21 January 2015
<b>Expected satisfaction of Fundraising Condition</b>	10 March 2015
<b>A Class Units Record Date</b>	7.00p.m. (AEDT) on 10 March 2015
<b>Completion of CVC Acquisition</b>	11 March 2015
<b>Scheme Record Date – to determine eligibility to participate in the Trust Scheme</b>	7.00p.m. (AEDT) on 11 March 2015
<b>Implementation of Trust Scheme</b>	13 March 2015
<b>Issue of Stapled Units under Fundraising</b>	13 March 2015
<b>Fund to be delisted</b>	16 March 2015
<b>Expected trading in new Stapled Units to commence</b>	19 March 2015
<b>Issue of A Class units</b>	19 March 2015

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

# Important Information

## What is this document?

This document comprises a letter from the Independent Director, a notice of general meeting, explanatory memorandum, investigating accountants report and the report of an independent expert (together with all annexures, **Circular**).

You should read this Circular in its entirety before making a decision as to how to vote on the Resolutions to be considered at the Meeting and, if necessary, consult your investment, tax, legal or other professional adviser.

Capitalised terms used in this Circular are defined in the Glossary (Section 13).

This Circular is dated 9 December 2014 and is issued by CVC Property Managers Limited (ACN 066 092 028; AFSL 229809) as responsible entity of CVC Property Fund (ARSN 107 276 184).

The purpose of this Circular is to provide Unitholders with:

- information about the Proposed Transaction which, if approved and implemented, will result in the Fund being restructured including by the Trust Scheme creating the New Stapled Entity; and
- such other information as is prescribed or otherwise material to the decision of Unitholders in determining how to vote on the Resolutions.

A Product Disclosure Statement will be issued for the purposes of the Fundraising connected with the proposed listing on the ASX of the New Stapled Entity.

## ASIC and ASX

A copy of this Circular has been lodged with ASIC and the ASX. Neither ASIC nor the ASX takes any responsibility for the contents of this Circular.

## Foreign Unitholders

Neither this Circular, nor the Proposed Transaction, constitutes an offer to Unitholders, or a solicitation, in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or solicitation. This Circular has been prepared having regard to applicable Australian disclosure requirements. These requirements may be different from those in other jurisdictions. Unitholders who are not Australian tax residents or who are liable for tax outside of Australia should seek specific tax advice in relation to the Australian and overseas tax consequences of the transactions contemplated by this Circular.

## Hong Kong Unitholders

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

## New Zealand Unitholders

This Circular is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). This Circular may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

## Singapore Unitholders

This Circular has not been lodged or registered as a prospectus with the Monetary Authority of Singapore, and is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Thus, statutory liability under the Securities and Futures Act, Chapter 289 of Singapore (SFA) in relation to the content of prospectuses would not apply. Accordingly, this Circular and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the securities may not be circulated or distributed, nor may the securities be offered or sold, or made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore other than pursuant to exemptions in, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## United Kingdom Unitholders

Neither the information in this Circular nor any other document relating to the Scheme has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of Section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the securities. This document is issued on a confidential basis to "qualified investors" (within the meaning of Section 86(7) of FSMA) in the United Kingdom, and the securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to Section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21

FSMA) received in connection with the issue or sale of the securities has only been communicated and will only be communicated in the United Kingdom in circumstances in which Section 21(1) FSMA does not apply to the Fund or the New Stapled Entity. In the United Kingdom, this Circular is being distributed only to, and is directed at, persons (i) who fall within an applicable exemption under the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this Circular relates are available only to, and any invitation, offer or agreement to acquire will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

### **General information only**

The information in this Circular is general advice only. It does not take your individual investment objectives, financial situation or particular needs into consideration. Nothing in this Circular should be construed as a recommendation by any person concerning an investment in the Fund or the New Stapled Entity. You should read the entire Circular. Before making any financial decisions, you should carefully consider the Proposed Transaction in light of your personal circumstances (including financial and taxation issues), and you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before making any investment decision and any decision on how to vote on the Resolutions.

### **Forward looking statements**

Certain statements in this Circular are about the future. You should be aware that such statements are not statement of fact and there can be no certainty of the outcome in relation to the matters to which the statements relate. Forward looking statements are subject to inherent risks (both known and unknown), uncertainties, assumptions, contingencies and other important factors, many of which are outside the control of the Fund and/or the 360 Capital Group, and may involve significant elements of subjective judgment and assumptions as to the future events which may or may not be correct. Such matters could cause the actual conduct, results, performance or achievements of the Fund and/or the 360 Capital Group to be materially different from the future conduct results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Deviations as to future conduct, results, performance and achievements are both normal and to be expected. None of the 360 Capital Group or persons named in this Circular or any person involved in the preparation of this Circular makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement having regards to the fact that the outcome may not be achieved.

### **Responsibility for information**

Other than in respect of the information identified below, the information contained in the remainder of this Circular has been prepared jointly by, and is the joint responsibility of CVC Group and 360 Capital Group.

Sections 2.2, 3.1, 4, and 6.2 have been prepared by CVC Group and its advisers and are the sole responsibility of CVC Group.

Sections 2.3-2.10, 5, 6.3, 7, 8, 11 have been prepared by 360 Capital Group and its advisers and are the sole responsibility of 360 Capital Group.

Loneragan Edwards has prepared the Independent Expert's Report in relation to the Proposed Transaction in Annexure A and takes responsibility for that annexure.

Grant Thornton, the Investigating Accountant has prepared the matters in Annexure B and takes responsibility for that annexure.

### **Financial amounts**

Financial amounts in this Circular are expressed in Australian dollars unless otherwise stated and financial data is presented as at the date stated.

### **Time**

All times expressed in this Circular refer to Australian Eastern Daylight Time (AEDT), unless otherwise stated.

### **Governing law**

This Circular is governed by the law in force in New South Wales.

# Independent Director's Letter

9 December 2014

Dear Unitholders,

## Circular to Unitholders

On behalf of the board of directors of CVC Property Managers Limited (**Current RE**), the responsible entity of CVC Property Fund (**Fund** or **CJT**), I am pleased to invite you to an extraordinary general meeting of the Fund to be held on 21 January 2015 at 12.00 noon (AEDT) at Suite 601, Level 6, Goldfields House, 1 Alfred Street, Sydney NSW 2000 (**Meeting**), and to present this Circular to you.

As Unitholders are aware, the Fund is in the process of disposing of its assets. As at the date of this circular the Fund owns two (2) properties located at Frenchs Forest in NSW, both of which are the subject of a conditional contract for sale (**Frenchs Forest Assets**).

On 4 February 2014, CVC Limited entered into a conditional contract to sell all of the issued shares in the Current RE to 360 Capital Group Limited (**360 Capital**), subject to completion of a strategic review of the Fund to the satisfaction of both parties.

360 Capital is an ASX-listed real estate investment and funds management group. It currently manages eight investment vehicles holding 30 industrial, office, and retail assets across Australia valued at more than \$1.0 billion on behalf of almost 10,000 investors and also holds over \$126.0 million in co-investments across the 360 Capital platform. The 360 Capital senior management team has an average of almost 20 years' of experience across the Australian real estate and funds management sectors. 360 Capital has a fund management co-investment strategy to align its own interests with those of the investors in the funds it manages.

Following the successful completion of the strategic review, a new direction for the Fund has been developed without the sale of all the issued shares in the Current RE to 360 Capital as referred to above. It is now proposed that steps be taken (following Unitholder approval) to result in Unitholders exchanging their Ordinary Units in the Fund for units (**Stapled Units**) in a new entity (**New Stapled Entity**). The New Stapled Entity is proposed to be listed on the ASX with the responsible entity being 360 Capital Investment Management Limited (**New RE**), a wholly-owned subsidiary of 360 Capital. The Fund will become a de-listed sub-fund of the New Stapled Entity and the New RE will replace the Current RE as responsible entity of the Fund.

Unitholders will become investors in the New Stapled Entity alongside 360 Capital Group and CVC Limited. In addition, through a new issue of A class units in the Fund (**A Class Units**), any amount (net of costs and adjustments) in excess of the Independent Valuation received by the Fund from the sale of the Frenchs Forest Assets under the existing contract for sale will be preserved for existing Unitholders.

The steps proposed to be undertaken include:

- (a) 360 Capital to establish the New Stapled Entity consisting of a new passive fund (**New Passive Fund**) and a new active fund (**New Active Fund**);
- (b) with Unitholder approval:
  - change the responsible entity of the Fund to the New RE;
  - change the Fund's auditor from HLB Mann Judd to 360 Capital's auditor, Ernst & Young;
  - amend the constitution of the Fund to permit a bonus issue of new A Class Units to existing Unitholders on a pro rata basis;
  - the acquisition by 360 Capital Property Limited of \$5 million worth of Ordinary Units, equivalent to up to 434,782,609 Ordinary Units, in the Fund from CVC Group at a minimum price of 1.15 cents per Ordinary Unit (**CVC Acquisition**); and

- a trust scheme of the Fund whereby all the Ordinary Units in the Fund will be exchanged for units in the New Passive Fund, which will be stapled to units in the New Active Fund, on the basis of 100 Ordinary Units for 1 Stapled Unit (with fractional entitlements being issued and then cancelled on listing) such that holders of Ordinary Units in the Fund will become holders of Stapled Units in the New Stapled Entity in the same proportion as they hold Ordinary Units at the Scheme Record Date with the New Stapled Entity holding all the Ordinary Units in the Fund (**Trust Scheme**); and
- (c) the New Stapled Entity to make an offer of Stapled Units at an issue price of not less than \$1.15 per Stapled Unit to raise a minimum of \$10.0 million (**Fundraising or Offer**) to reduce debt of the Fund and to satisfy the relevant requirements of Chapters 1 and 2 of the ASX Listing Rules for admission of the New Stapled Entity to the official list of ASX and the quotation of Stapled Units on ASX.;

(together, the **Proposed Transaction**). The Proposed Transaction will not be implemented unless certain Resolutions are passed by Unitholders and the Fundraising Condition is satisfied.

If the Proposed Transaction is implemented, 360 Capital will immediately after the acquisition of Ordinary Units in the Fund from CVC Group hold voting power in the Fund of up to 56.6%. However, 360 Capital has stated that it does not intend to apply for Stapled Units under the Fundraising therefore its voting power in the New Stapled Entity is expected to reduce to a maximum of 26.6% following completion of the Fundraising.

As your Independent Director, I am of the view that the benefits of the Proposed Transaction outweigh the disadvantages. This view is supported by the findings in the Independent Expert's Report annexed to this Circular as Annexure A who has concluded that the advantages of the Proposed Transaction outweigh the disadvantages for non-associated Unitholders. I recommend that you vote in favour of all Resolutions.

On behalf of the directors of the Current RE, I encourage you to read the full contents of the accompanying documents carefully, and to participate in the voting process. The other directors of the Current RE hold Ordinary Units in the Fund (see Section 10.1) and therefore do not make any recommendation.

If you have any questions about this Circular, please contact the Current RE, or consult your licensed financial advisor, stockbroker or other professional adviser. If you have any questions about your holding of Ordinary Units or other registry matters, please contact Gould Ralph Pty Limited on +61 2 9032 3000.

Yours sincerely,



**KW McGrath**  
Director

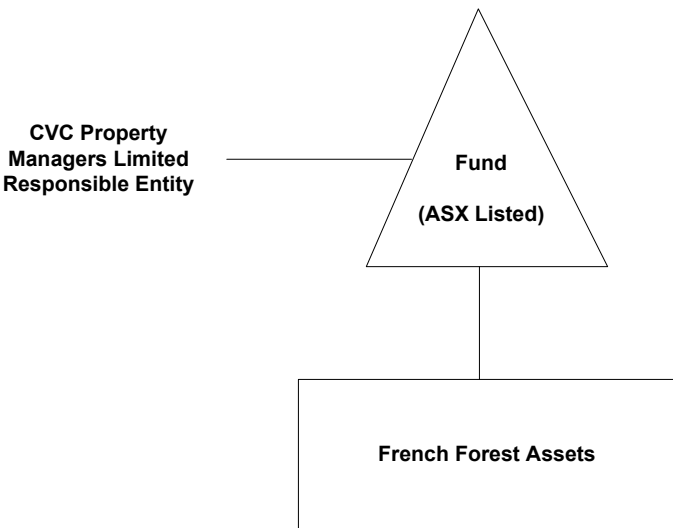
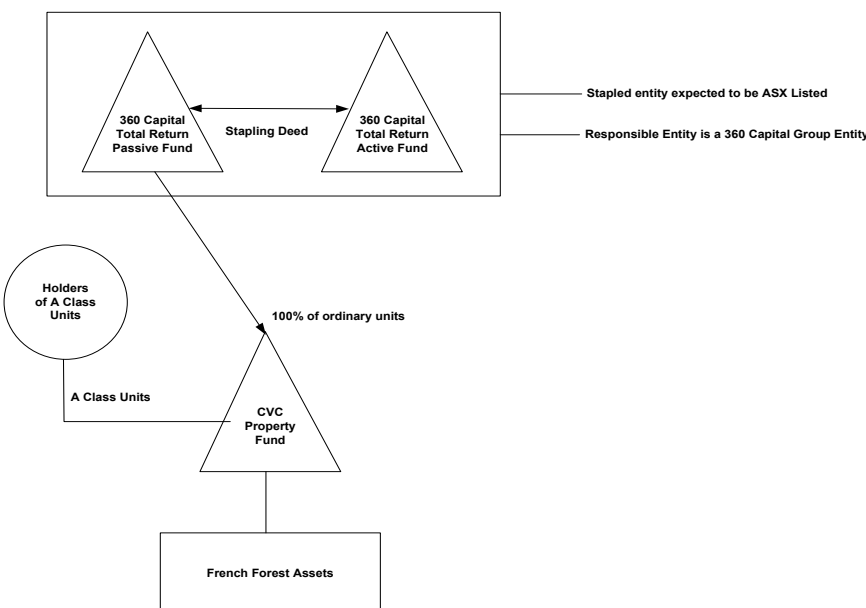
# Explanatory Memorandum

## 1. Answers to Key Questions

***This section is an overview only and is not intended to address all of the relevant issues for Unitholders. Unitholders should read this Circular in its entirety.***

Proposed Transaction		Reference Section
<p><b>What is the Proposed Transaction?</b></p>	<p>The Proposed Transaction consists of the following steps or components:</p> <ul style="list-style-type: none"> <li>• 360 Capital Group will acquire \$5 million worth of Ordinary Units from CVC Group which will ultimately give 360 Capital Group a maximum interest of 26.6% in the New Stapled Entity;</li> <li>• the responsible entity of the Fund will be replaced with a 360 Capital controlled responsible entity (the New RE);</li> <li>• any amount in excess of the Independent Valuation resulting from the sale of the Frenchs Forest Assets under the existing contract for sale will be preserved for existing Unitholders through the issuance of new A Class Units in the Fund;</li> <li>• the New Passive Fund and the New Active Fund will be established and stapled to form the New Stapled Entity to be called the 360 Capital Total Return Fund;</li> <li>• the New Passive Fund will acquire all of the Ordinary Units (including Ordinary Units held by 360 Capital and its associates) in exchange for the issue of units in the New Passive Fund which will be stapled to units in the New Active Fund and the Fund will continue as a sub-fund of the New Passive Fund;</li> <li>• an offer of Stapled Units in the New Stapled Entity at not less than \$1.15 per Stapled Unit to raise a minimum of \$10.0 million will be conducted in order to reduce debt of the Fund and to satisfy the relevant requirements of Chapters 1 and 2 of the ASX Listing Rules for admission of the New Stapled Entity to ASX and quotation of Stapled Units on ASX; and</li> <li>• the Fund will be delisted from the ASX.</li> </ul> <p>Following the implementation of the Proposed Transaction the New Stapled Entity is proposed to be listed on the ASX.</p>	<p>2 and 3</p>



Proposed Transaction		Reference Section
<p><b>What is the current structure of the Fund?</b></p>	 <p>The diagram shows a triangle representing the 'Fund (ASX Listed)'. A line from the text 'CVC Property Managers Limited Responsible Entity' points to the left side of the triangle. A vertical line connects the bottom of the triangle to a rectangular box labeled 'French Forest Assets'.</p>	<p>3.1</p>
<p><b>What is the new structure under the Proposed Transaction?</b></p>	 <p>The diagram illustrates the proposed structure. At the top, two triangles represent the '360 Capital Total Return Passive Fund' and the '360 Capital Total Return Active Fund', connected by a double-headed arrow labeled 'Stapling Deed'. A line from the Passive Fund points to a triangle labeled 'CVC Property Fund'. A line from the text 'Holders of A Class Units' points to a circle labeled 'A Class Units', which in turn points to the CVC Property Fund. The CVC Property Fund is connected to a box labeled 'French Forest Assets'. On the right side, two lines point to the text: 'Stapled entity expected to be ASX Listed' and 'Responsible Entity is a 360 Capital Group Entity'. A line also points from the CVC Property Fund to the text '100% of ordinary units'.</p>	<p>3.2</p>
<p><b>What is required to implement the Proposed Transaction?</b></p>	<p>To implement the Proposed Transaction:</p> <ul style="list-style-type: none"> <li>• Resolutions 1 to 6 set out in the Notice of Meeting, which is included in this Circular, must be passed; and</li> <li>• the Fundraising must be undertaken at not less than \$1.15 per Stapled Unit to raise a the minimum amount of \$10.0 million and to satisfy the relevant requirements of Chapters 1 and 2 of the ASX Listing Rules for listing of the New Stapled Entity on ASX and quotation of Stapled Units on ASX.</li> </ul> <p>If the relevant Resolutions are approved at the meeting on 21 January 2015, it is anticipated that the Proposed Transaction will be fully implemented no later than 19 March 2015, assuming the Fundraising Condition is satisfied.</p>	<p>3.2 and 4.4</p>

Proposed Transaction	Reference Section	
<p><b>What are the advantages of the Proposed Transaction</b></p>	<p>The advantages of the Proposed Transaction are set out in more detail in Section 4.1(a). In particular:</p> <ul style="list-style-type: none"> <li>• the Fund will have a new investment mandate and will change from being in a wind-up phase to a growth phase;</li> <li>• potential re-rating of the Fund from increased scale and liquidity;</li> <li>• potential diversification of income streams;</li> <li>• alleviating the risk of a prolonged suspension of the Fund's Ordinary Units once the Fund has sold its remaining assets (i.e. the Frenchs Forest Assets);</li> <li>• proven fund manager, 360 Capital, with its interests aligned with the interests of holders of Stapled Units through substantial co-investment in the New Stapled Entity; and</li> <li>• de-leveraging of the Fund through a reduction of debt.</li> </ul>	4.1 (a)
<p><b>What are the disadvantages of the Proposed Transaction</b></p>	<p>The disadvantages of the Proposed Transaction are set out in more detail in Section 4.1(b). In particular:</p> <ul style="list-style-type: none"> <li>• dilution of existing non-associated Unitholders from 10.1% to 4.7%;</li> <li>• dilution of net tangible assets (NTA);</li> <li>• the intentions and objectives of 360 Capital (as owner of the New RE and substantial holder of Stapled Units) may be different from those of the existing Unitholders; and</li> <li>• the Fund will incur transaction costs, estimated to be \$0.3 million (excluding Fundraising costs).</li> </ul>	4.1 (b)
<p><b>What are the key risks associated with the Proposed Transaction?</b></p>	<p>Key risks associated with the Proposed Transaction are set out in Section 6 in more detail and include:</p> <ul style="list-style-type: none"> <li>• risk associated with the suspension of trading of Ordinary Units at the date of the Meeting if relevant Resolutions are passed with no guarantee that the Fundraising Condition will be satisfied and a period of uncertainty before this can be ascertained following the close of the Fundraising;</li> <li>• risk that not all conditions of the Proposed Transaction will be met;</li> <li>• while it is proposed that the Fundraising will be underwritten, no underwriting agreement has been signed at the date of this Circular and there is a risk that the Fundraising may not in fact be underwritten;</li> <li>• general fund risk including breach of debt covenants, movement in interest rates and lease expiry; and</li> <li>• new investment mandate risks including lack of deal flow, inadequate due diligence and adverse movements in capital values of investments.</li> <li>• The Proposed Transaction does not introduce any new assets. The performance of the New Stapled Entity is to a large extent dependent on the ability of the senior management team to identify and source suitable investment opportunities. Such opportunities are subject to market conditions and other factors outside the control of the senior management team. Failure to deploy the funds raised under the Fundraising in suitable investment opportunities will adversely affect returns available to holder of Stapled Units. As the new investment mandate is opportunistic and not definitive it is not possible to quantify income and capital returns of new investments.</li> </ul>	6

Proposed Transaction		Reference Section
<b>What if the Proposed Transaction does not proceed?</b>	<p>In the event that Resolutions 1 to 6 are not approved, or, if such Resolutions are approved but the Fundraising Condition is not satisfied, the Proposed Transaction will not proceed and Unitholders will continue to hold their Ordinary Units in the Fund which are currently listed on the ASX. The Current RE will continue to manage the Fund.</p> <p>If Unitholders approve Resolutions 1 to 6 and the Ordinary Units are suspended from trading but the Funding Condition is not satisfied, the suspension of Ordinary Units will be lifted and Ordinary Units will recommence trading provided that the Fund complies at that time with Chapter 12 of the ASX Listing Rules which sets out the ongoing requirements for continued listing.</p> <p>There is a risk of a prolonged suspension of the Fund's Ordinary Units as the Fund will continue with the disposal of its Frenchs Forest Assets, following which the Fund's only asset will be cash. In these circumstances, the Fund may be wound up, or its Ordinary Units may be suspended from trading on the ASX, if it does not undertake some investment activity within 6 months of the date of the Meeting or otherwise justify the continued quotation of its Units.</p>	3.10
<b>Has an independent expert reviewed the Proposed Transaction?</b>	The Independent Expert was engaged to provide a report on the Proposed Transaction, a copy of which is included in Annexure A. The conclusion reached by the Independent Expert is that the advantages of the Proposed Transaction outweigh the disadvantages for Non-Associated Unitholders.	Annexure A
<b>Is the Proposed Transaction recommended by the Independent Director?</b>	For the reasons set out in this Explanatory Memorandum, the Independent Director, Kim McGrath, recommends that Unitholders vote in favour of the Resolutions and implement the Proposed Transaction. The other directors have an interest in the Proposed Transaction and do not make a recommendation (see Section 4.2).	4.2
<b>What are the tax implications of the Trust Scheme?</b>	An analysis of the tax implications applicable to Unitholders is outlined in Section 9.	9
New Stapled Entity		
<b>What is the objective of the New Stapled Entity?</b>	The New Stapled Entity will be focussed on delivering total returns to its unitholders. The performance hurdle for the New Stapled Entity under its constitution is 12% per annum. In pursuing its new investment mandate the New Stapled Entity will actively seek opportunistic investments and thoroughly analyse the risk return profile of these investments.	3.1
<b>What is the New Stapled Entity's investment strategy?</b>	<p>The New Stapled Entity will invest in property related investments including (but not limited to):</p> <ul style="list-style-type: none"> <li>repositioning assets, including short term re-leasing positions and refurbishment projects;</li> <li>investing in investment properties that generate rental income;</li> <li>underwriting potential raisings in the real estate space including syndicates, unlisted funds, and listed funds;</li> </ul>	3.1 and 11

Proposed Transaction	Reference Section
<ul style="list-style-type: none"> <li>• taking strategic positions in unlisted funds, this includes providing liquidity solutions to existing unitholders of those funds;</li> <li>• mispriced trading opportunities within the ASX listed A-REIT sector;</li> <li>• participating in mergers and acquisition activities occurring within Australian real estate markets; and</li> <li>• participating in special situations which arise from time to time within Australian real estate markets including distressed sales, investments with restructuring potential, and providing loans.</li> </ul> <p>Should an investment opportunity arise with a related party of the New Stapled Entity, the terms and conditions will be at arms length and the transaction will be subject to unitholder approval where appropriate. The New RE will ensure that any such transaction does not result in a breach of the New Stapled Entity's compliance plan as set out in Section 11.</p>	
<p><b>Business Model</b></p> <p>The risk and returns of each of these investment categories is summarized below:</p> <p><b>Repositioning assets</b></p> <ul style="list-style-type: none"> <li>• Investments including office, industrial, retail properties which have short leases, or require an investment of capital to refurbish, as well as potential rezoning. Returns will be derived from rental income and potential increases in value from re-leasing/refurbishment/rezoning activity as well as market movements. The existing Frenchs Forest Properties fit within this category.</li> <li>• Risks to this investment category include default of tenants under lease, higher than expected costs to deliver the repositioning, and falling asset values.</li> </ul> <p><b>Investing in properties</b></p> <ul style="list-style-type: none"> <li>• Returns will be derived from rental income and potential increases in value.</li> <li>• Risks of this investment category include default of tenants under lease, and falling asset values.</li> </ul> <p><b>Underwriting</b></p> <ul style="list-style-type: none"> <li>• Returns will be derived from underwriting fees. In addition, if the underwriting is called upon, the New Stapled Entity will own units/shares which in turn will generate a distribution/dividend income and may increase in value.</li> <li>• Risks of this investment category include reductions in the distribution/dividend income and decreases in value of the units/shares.</li> </ul> <p><b>Unlisted Funds</b></p> <ul style="list-style-type: none"> <li>• The New Stapled Entity may be able to purchase units at a discount to NTA as there is usually a discount for liquidity. Returns will be derived from distribution income and potential increases in value.</li> <li>• Risks include reductions in the distribution income and decreases in value of the units.</li> </ul> <p><b>Mispriced ASX listed A-REIT sector</b></p> <ul style="list-style-type: none"> <li>• The aim will be to purchase securities which are trading at a discount to NTA and which hold quality assets. Returns will be derived from distribution income and potential increases in value.</li> <li>• Risks include reductions in the distribution/dividend income and decreases in value of the units/shares.</li> </ul>	

Proposed Transaction	Reference Section
<p><b>Mergers and Acquisitions</b></p> <ul style="list-style-type: none"> <li>Investment in entities involved in a merger or acquisition, will be made where the New RE assesses there is value. Returns will be derived from distribution income and potential increases in value.</li> <li>Risks include reductions in the distribution/dividend income and decreases in value of the units/shares.</li> </ul> <p><b>Loans</b></p> <ul style="list-style-type: none"> <li>Returns will be derive from interest income.</li> <li>Risk include default of the borrower.</li> </ul>	
<p><b>Why is the New Stapled Entity being established?</b></p>	<p>The establishment of the New Stapled Entity has been designed to maximise the flexibility in respect of investment activities of the New Stapled Entity. The New RE believes this flexibility in relation to how investments are held in the New Stapled Entity is in the best interest of unitholders as a whole.</p> <p>2.4</p>
<p><b>Who is the New RE?</b></p>	<p>The responsible entity of the New Stapled Entity is proposed to be 360 Capital Investment Management Limited, a wholly owned entity of 360 Capital.</p> <p>360 Capital is an ASX-listed real estate investment and funds management group. It currently manages eight investment vehicles holding 30 industrial, office, and retail assets across Australia valued at more than \$1.0 billion on behalf of almost 10,000 investors and also holds over \$126.0 million in co-investments across the 360 Capital Group platform. The 360 Capital senior management team has an average of almost 20 years' of experience across the Australian real estate and funds management sectors. The 360 Capital Group has a fund management co-investment strategy to align its own interests with those of the investors in the funds it manages.</p> <p>5.2</p>
<p><b>Who are the Directors of the New RE?</b></p>	<ul style="list-style-type: none"> <li>David van Aanholt, Independent Chairman</li> <li>Tony Pitt, Managing Director</li> <li>Andrew Moffat, Independent Director</li> <li>John Ballhausen, Independent Director</li> <li>Graham Lenzner, Independent Director</li> </ul> <p>5.3</p>
<p><b>What are the key responsibilities of the New RE?</b></p>	<p>The key responsibilities of the New RE include:</p> <ul style="list-style-type: none"> <li>strategic oversight;</li> <li>financial management and administration;</li> <li>investment evaluation and implementation; and</li> <li>governance and regulatory compliance.</li> </ul>
<p><b>Who are the management team of the New RE?</b></p>	<ul style="list-style-type: none"> <li>Ben James, Chief Investment Officer</li> <li>Alan Sutton, Company Secretary</li> <li>Charisse Nortje, Company Secretary</li> <li>Glenn Butterworth, Chief Financial Officer</li> <li>Tim Spencer, Head of Investor Relations</li> <li>Troy Thompson, Corporate Financial Controller</li> <li>Kevin Low, Trust Manager</li> </ul> <p>5.3</p>

Proposed Transaction	Reference Section	
<p><b>What fees will the New RE receive?</b></p>	<p>The New RE is entitled to receive a management and performance fee as follows:</p> <ul style="list-style-type: none"> <li>• management fee of 0.65% per annum of the gross asset value during the relevant year plus expenses relating to the proper performance of the New RE's duties in connection with the New Stapled Entity estimated to be approximately 0.51% per annum of the gross asset value of the New Stapled Entity; and</li> <li>• performance fee of 20% of any pre-tax total unitholder return in excess of 12% per annum.</li> </ul> <p>In addition the New RE is entitled to receive transaction based acquisition/disposal fees of up to 1% of purchase/sale price.</p>	<p>10</p>
<p><b>Will 360 Capital hold Units in the New Stapled Entity?</b></p>	<p>Yes. 360 Capital Group will immediately after the acquisition of Ordinary Units from CVC Group hold Ordinary Units translating to voting power of up to 56.6% in the Fund. It will maintain this interest on implementation of the Trust Scheme, but will be immediately diluted under the Fundraising. 360 Capital has stated that it does not intend to apply for Stapled Units under the Fundraising therefore its voting power is expected to reduce to a maximum of 26.6% following the Fundraising.</p>	<p>4.7</p>

## 2. Overview of the Fund and the New Stapled Entity

### 2.1 Overview

The Proposed Transaction involves existing Unitholders exchanging their Ordinary Units for Stapled Units in the New Stapled Entity. The New Stapled Entity is proposed to be listed on ASX after an offer to raise a minimum of \$10 million to reduce debt and to satisfy the relevant requirements of Chapters 1 and 2 of ASX Listing Rules for the purposes of listing of the New Stapled Entity and quotation of Stapled Units on ASX. The Fund will become a de-listed sub-fund of the New Stapled Entity and the New RE will replace the Current RE as responsible entity of the Fund.

### 2.2 Recent history of the Fund

The Fund is a listed property investment and development fund.

The table below summarises the key developments in the Fund over the past 2 years, and summaries of those announced by the Fund to the ASX:

Date	Summary of announcement
12 June 2012	<p>Sale of 357 – 373 Warringah Road and 8 Rodborough Road, Frenchs Forest.</p> <p>The Fund entered into a conditional contract to sell the adjoining properties located at 357 – 373 Warringah Road and 8 Rodborough Road, Frenchs Forest for a sale price of \$32.0 million with settlement on or before 30 June 2014. The contract is conditional upon a number of pre-conditions, including rezoning, therefore there is potential that the sale will not complete.</p> <p>In the event that the sale is successful the proceeds will be used to satisfy the stated objectives of the Fund, which include reducing outstanding debt facilities. The use of the balance of any remaining funds will be determined by the board of directors at the time of settlement*.</p>
31 August 2012	The financial report for the 12 months to 30 June 2012 was released.
10 October 2012	Mr John Lau retired as Non-Executive Director of the CVC Property Managers Limited, the responsible entity of CVC Property Fund.
28 February 2013	The half year financial report for the 6 months to 31 December 2012 was released.
30 August 2013	The financial report for the 12 months to 30 June 2013 was released.
4 February 2014	CVC limited entered into conditional agreement with 360 Capital to sell the responsible entity of the Fund and announced strategic review of the Fund to be undertaken.
6 February 2014	Sale of 357 – 373 Warringah Road and 8 Rodborough Road, Frenchs Forest Settlement under the conditional sale contract was extended from 30 June 2014 to 1 October 2015.
28 February 2014	The sale of the development site at Belrose Sydney NSW was settled at a price of \$3.6 million plus GST.
28 February 2014	The half year financial report for the 6 months to 31 December 2013 was released.
30 June 2014	The conditional agreement of 4 February 2014 lapsed.

Date	Summary of announcement
26 August 2014	CVC Group in conjunction with 360 Capital completes strategic review, identifying proposals including a change of responsible entity, a change in investment mandate, a capital raising, and a change of name to 360 Capital Total Return Sub Fund.
29 August 2014	The financial report for the 12 months to 30 June 2014 was released.

\*If the sale is successful part of the proceeds will be used to pay holders of A Class Units as detailed in Section 3.11.

### 2.3 New Stapled Entity

The New Stapled Entity was established on 27 October 2014..

The New Passive Fund and the New Active Fund comprising the New Stapled Entity have each been registered by ASIC as managed investment schemes under Chapter 5C of the Corporation Act. The New Stapled Entity will not hold any assets prior to the Implementation Date.

The New Stapled Entity will have a broad investment mandate as detailed in Section 3.1.

### 2.4 Reason for establishing the New Stapled Entity

The establishment of the New Stapled Entity with both "passive" and "active" funds has been designed to maximise the flexibility in respect of investment activities of the New Stapled Entity. The New RE believes this flexibility in relation to how investments are held in the New Stapled Entity is in the best interest of holders of Stapled Units as a whole.

The New Active Fund will be a trading trust and will pay tax on income from its activities. The New Active Fund enables the New Stapled Entity to undertake a broader investment mandate than would otherwise be possible. As a result of its status as a trading trust, holders of New Active Fund units will receive after-tax, franked distributions.

The New Passive Fund will be a "pass through" trust and will be able to distribute a higher proportion of the income it receives but those distributions will be unfranked. The New Passive Fund will hold investment property assets and other assets that do not result in the New Passive Fund being deemed a trading trust. In addition, the New Passive Fund will be able to pay tax deferred distributions where this is considered appropriate.

If the New Stapled Entity considers buying further assets in the future, it will consider which of the New Passive Fund and the New Active Fund will provide the most appropriate ownership structure.

### 2.5 Distribution statements

Holders of units in the New Stapled Entity will receive a distribution statement in relation to distributions from the New Passive Fund and the New Active Fund. Each distribution statement will set out the amount of distribution payable to a Unitholder in respect of a distribution period and the taxation status of this distribution.

### 2.6 Fundraising

The New RE intends to raise through the issue of Stapled Units in the New Stapled Entity a minimum of \$10.0 million at an offer price of at least \$1.15 per Stapled Unit.

The proceeds of the Fundraising will be applied to:

- deleverage the New Stapled Entity in preparation for investment under its new investment mandate; and
- pay transaction costs.



## 2.8 Sources and uses

Sources	(\$m)	Uses	(\$m)
General Offer	10.0	Repayment of Senior Debt	9.3
		Transaction Costs	0.7
<b>Total</b>	<b>10.0</b>	<b>Total</b>	<b>10.0</b>

## 2.9 Structure of the Fundraising

The Fundraising will comprise a general offer to raise a minimum of \$10.0 million. The general offer is intended to be open to Australian resident investors, including retail investors, and to unitholders in 360 Capital managed funds and 360 Capital securityholders.

The New RE will reserve the right to not proceed with the Fundraising at any time. Factors that would be likely to affect a decision by the New RE include broader macro-economic conditions (for example, state of capital markets and or interest rates) being unsuitable for a capital raising at the time of the Fundraising, demand being low and adversely affecting the issue price of Stapled Units, and micro-economic conditions (for example, property sector specified) being unsuitable for a capital raising.

## 2.10 Rights attaching to New Stapled Units

Stapled Units issued under the Fundraising will rank equally with all other Stapled Units on issue. A summary of the constitutions of the New Stapled Entity and the Stapling Deed is set out in Section 10.2

### Conditions of the Fundraising

The issue of New Stapled Units under the Trust Scheme and the Fundraising is conditional on the following:

- Unitholder approval of Resolutions 1 to 6; and
- valid applications being received for Stapled Units from investors under the Fundraising PDS and/or from underwriters to the issue (if any) so that at least \$10.0 million is raised and ASX notifies the New RE that it is satisfied that the relevant requirements of Chapters 1 and 2 of ASX Listing Rules have been satisfied for the purpose of admission of the New Stapled Entity to ASX and quotation of Stapled Units on ASX.

## 3. Details of the Proposed Transaction

---

### 3.1 Background

As Unitholders are aware, the Fund is in the process of disposing of its assets. As at the date of this Circular, the Fund owns two (2) properties located at Frenchs Forest in NSW, both of which are the subject of a conditional contract for sale (being the Frenchs Forest Assets).

On 4 February 2014, CVC Limited entered into a conditional contract to sell the Current RE to 360 Capital, subject to completion of a strategic review of the Fund to the satisfaction of both parties. This contract expired in June 2014.

On 26 August 2014, 360 Capital in conjunction with the board of the Current RE, undertook a strategic review of the Fund. As part of the strategic review, 360 Capital identified a position in the marketplace for an ASX-listed fund to generate attractive income, potential capital returns and trading profits by taking advantage of opportunities which arise from (but not limited to):

- repositioning assets, including short term releasing positions and refurbishment projects etc;
- investing in investment properties that generate rental income;
- underwriting potential raisings in the real estate space including syndicates, unlisted funds, and listed funds;
- taking strategic positions in unlisted funds, this includes providing liquidity solutions to existing unitholders of those funds;
- mispriced trading opportunities within the ASX listed A-REIT sector;
- participating in mergers and acquisition activities occurring within Australian real estate markets; and
- participating in special situations which arise from time to time within Australian real estate markets including distressed sales, investments with restructuring potential, and providing loans.

Should an investment opportunity arise with a related party of the New Stapled Entity, the terms and conditions will be at arms length and the transaction will be subject to unitholder approval where appropriate. The New RE will ensure that any such transaction does not result in a breach of the New Stapled Entity's compliance plan as set out in Section 11.

To facilitate undertaking such an investment mandate efficiently, the strategic review recommended a restructure of the Fund into a new stapled trust structure so that the responsible entity of the new stapled trust structure could elect whether any new investments should be held in a "passive" fund or an "active" fund (the flexibility this provides is further addressed in Section 2).

Please see the Section 1 – "Business Model" for further information.

### 3.2 The Proposed Transaction and indicative timing for implementation

The steps proposed to be undertaken to implement the Proposed Transaction include:

- (a) 360 Capital establishing the New Stapled Entity consisting of the New Passive Fund and the New Active Fund and to be called the 360 Capital Total Return Fund (see Section 10.2 for an outline of the constitutions of these funds and Section 10.3 for an outline of the Stapling Deed);
- (b) with Unitholder approval:
  - change the responsible entity of the Fund to the New RE (see Section 4.5 in respect of the Resolution and Section 10.4(d) in relation to the Deed of Retirement and Appointment);
  - change the Fund's auditor from HLB Mann Judd to 360 Capital's auditor, Ernst & Young (see Section 4.11);
  - amend the constitution of the Fund to permit a bonus issue of new A Class Units to existing Unitholders on a pro rata basis (see Section 4.8 in relation to the Resolution, Section 3.11 outlining the terms of to A Class Units and Section 10.4(b) in relation to the Supplemental Deed);

- the acquisition by 360 Capital Property Limited of \$5 million worth of Ordinary Units, equivalent to up to 434,782,609 Ordinary Units, in the Fund from CVC Group at a minimum price of 1.15 cents per Ordinary Unit (**CVC Acquisition**) (see Section 4.6 in relation to the implications and Section 10.4(a) in relation to the Unit Sale and Purchase Agreement); and
  - a trust scheme of the Fund whereby all the Ordinary Units in the Fund will be exchanged for units in the New Passive Fund, which will be stapled to units in the New Active Fund, on the basis of 100 Ordinary Units for 1 Stapled Unit (with fractional entitlements being issued and then cancelled on listing) such that holders of Ordinary Units in the Fund will become holders of Stapled Units in the New Stapled Entity in the same proportion as they hold Ordinary Units at the Scheme Record Date with the New Stapled Entity holding all the Ordinary Units in the Fund (**Trust Scheme**) (see Section 4.9 in relation to the Resolutions and Section 10.4(b) for the Supplemental Deed setting out the terms of the Trust Scheme and Section 10.4(c) for the terms of the Deed Poll under which the New RE undertakes for the benefit of Unitholders to undertake the Trust Scheme if relevant Resolutions are passed and the Fundraising Condition is satisfied); and
- (c) the New Stapled Entity to make an offer of Stapled Units at not less than \$1.15 per Stapled Unit to raise a minimum of \$10.0 million to reduce debt of the Fund and to satisfy the relevant requirements of Chapters 1 and 2 of the ASX Listing Rules for the purpose of admission of the New Stapled Entity to the official list of ASX and quotation of Stapled Units on ASX (see Sections 2.6 to 2.10 in relation to the Fundraising and Section 4.10 in relation to the ASX requirements). The fractional entitlements to Stapled Units issued on implementation of the Trust Scheme will be cancelled on admission of the New Stapled Entity to the official list of ASX in accordance with clause 4.2 of the constitutions of the New Passive Fund and the New Active Fund.

The New Stapled Entity was established by the registration with ASIC of the New Passive Fund and the New Active Fund on 27 October 2014. A steps plan and timetable of the Proposed Transaction is set out below:

Step	Indicative timing
Voting Record Date – to determine eligibility to vote at the Meeting	19 January 2015
Meeting	21 January 2015
Suspension of trading of Ordinary Units	21 January 2015
A Class Units Record Date	10 March 2015
Expected satisfaction of the Fundraising Condition	10 March 2015
Lodge Supplemental Deed with ASIC and appoint the New RE as responsible entity of the Fund	11 March 2015
360 Capital Property Limited acquires up to 434,782,609 Ordinary Units from CVC Limited	11 March 2015
Scheme Record Date	11 March 2015
Implement the Trust Scheme by the New Passive Fund acquiring all Ordinary Units in exchange for the issue to Unitholders of units in the New Passive Fund, which will be stapled to units in the New Active Fund, to create the New Stapled Entity at a ratio of 1:100	13 March 2015
Issue a bonus issue of A Class Units to existing Unitholders in order to preserve to them any amount in excess of the Independent Valuation resulting from the sale of the Frenchs Forest Assets under the existing contract for sale	13 March 2015
Issue of new Stapled Units under the Fundraising	13 March 2015
De-list the Fund from the ASX	16 March 2015
Expected admission of New Stapled Entity on the ASX	18 March 2015
Trading in Stapled Units commences	19 March 2015

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

### 3.3 Conditions to the Proposed Transaction

Implementation of the Proposed Transaction is subject to a number of approvals and conditions. The following material conditions remain outstanding as at the date of this Circular:

- (a) Unitholders approving Resolutions 1 to 6 – the satisfaction of this condition will be determined at the Meeting;
- (b) satisfaction of the Fundraising Condition;
- (c) the Current RE lodging a copy of the Supplemental Deed with ASIC – the Current RE intends to lodge the relevant notification with ASIC promptly following the last to occur of the date of the Meeting if all relevant Resolutions are passed and satisfaction of the Fundraising Condition; and
- (d) ASIC updating the details of the Fund's registration to reflect that the New RE is the responsible entity of the Fund – the Current RE intends to lodge the relevant notification with ASIC within 2 business days of the last to occur of the date of the Meeting if all relevant Resolutions are passed and satisfaction of the Fundraising Condition.

As of the date of this Circular, the New RE is not aware of any reason why any of the outstanding conditions listed above will not be satisfied by the relevant time to enable the sequential implementation of each element of the Proposed Transaction. The responsible entity of the Fund will keep Unitholders and the ASX advised in this regard at all relevant times, including the outcome of the vote by Unitholders at the Meeting.

*The indicative timing for the implementation of each element of the Proposed Transaction is set out in Section 3.2*

### 3.4 What happens if the Resolutions are passed?

If Resolutions 1 to 6 are approved, the trading of units in the Fund on ASX will be suspended. The suspension may be lifted if the Fundraising Condition is not satisfied. If the Fundraising Condition is satisfied, the Proposed Transaction will be implemented through the Trust Scheme and the New Stapled Entity will have satisfied the conditions for it to proceed to list on ASX. The Fundraising offer period is expected to be open for a period of three weeks closing on 10 March 2015. Whether the Fundraising Condition is satisfied will not be ascertained until the Fundraising is closed.

### 3.5 What is required in addition to passing the relevant Resolutions?

In order to fully implement the Proposed Transaction through the change of responsible entity of the Fund, issue of A Class Units, the CVC Acquisition and the Trust Scheme, valid applications for Stapled Units at an issue price per Stapled Unit of not less than \$1.15 must be received from investors under the Fundraising PDS and/or from underwriters (if any) so that at least \$10.0 million is raised and ASX is able to give notice to the New RE that the relevant requirements of Chapters 1 and 2 of ASX Listing Rules have been satisfied for the purposes of admission of the New Stapled Entity to the official list of ASX and quotation of Stapled Units (**Fundraising Condition**).

### 3.6 How will implementation proceed following the Unitholder approvals and satisfaction of the Fundraising Condition?

After the transaction resulting in the sale of Ordinary Units by CVC Limited to 360 Capital Property Limited (see Resolution 2) all Unitholders (including 360 Capital) will sell their Ordinary Units through the Trust Scheme to the New Passive Fund and, in return, will receive one unit in the New Passive Fund, which will be stapled to one unit in the New Active Fund, for every 100 Ordinary Units they own in the Fund (with fractional entitlements being issued and then cancelled on listing). The responsible entity of the New Stapled Entity will be the New RE. The Fund will become a sub-fund of the New Passive Fund and the New RE (a member of the 360 Capital Group) will replace the Current RE as responsible entity of the Fund.

All Unitholders (whether or not they have voted for or against the Proposed Transaction) will receive one unit in the New Passive Fund which will be stapled to one unit in the New Active Fund in exchange for every 100 Ordinary Units that they currently hold, with fractional entitlements being issued and then cancelled on listing.

360 Capital Group will become the majority holder of Stapled Units with up to 56.6% of the total Stapled Units on issue, subject to immediate dilution arising from satisfaction of the Fundraising Condition and the issue of Stapled Units under the Fundraising (see Section 4.7).

The Fundraising is for the purpose of reducing debt of the Fund and to satisfy ASX listing requirements as set out in Chapters 1 and 2 of ASX Listing Rules. Following the satisfaction of the Fundraising Condition, implementation of the Trust Scheme and the issue of Stapled Units under the Fundraising, 360 Capital Group will hold a maximum of 26.6% of the Stapled Units in the New Stapled Entity.

The New Stapled Entity and the Fund will be investment vehicles managed by 360 Capital Group with Stapled Units quoted on the ASX. Fractional entitlements to Stapled Units will be cancelled on admission of the New Stapled Entity to the official list of ASX.

*Further information about the 360 Capital Group is set out in Section 5.*

### **3.7 What happens if the Resolutions are not passed?**

In the event that Resolutions 1 to 6 are not all approved, the Proposed Transaction will not be completed. Unitholders will continue to hold their Ordinary Units in the Fund and will not receive any consideration for those Ordinary Units.

The Fund will continue with the disposal of its Frenchs Forest Assets, following which the Fund's only asset will be cash. In these circumstances, the Fund may be wound up, or its Ordinary Units may be suspended from trading on the ASX, if it does not undertake some investment activity within 6 months of the date of the Meeting or otherwise justify the continued quotation of its Ordinary Units. No proposals other than the Proposed Transaction are being considered for the Fund at this time.

The Current RE will continue to manage the Fund in the best interest of all Unitholders and the Fund will not form part of the 360 Capital Group. The board of the Current RE will continue to assess available options at the relevant time.

Note that even if the relevant resolutions are not approved transaction costs of \$0.2 million will be incurred by the Fund (there is an additional \$0.1 million plus Fundraising costs associated with the Proposed Transaction).

### **3.8 What is a Stapled Unit?**

A Stapled Unit comprises one unit in the New Active Fund and one unit in the New Passive Fund. The Stapled Units will be traded on the ASX as a single security (subject to the ASX consenting to the quotation of the Stapled Units). The units in the New Passive Fund and the units in the New Active Fund will not be able to be traded or dealt with separately. The Stapling Deed will govern the relationship between the New Active Fund and the New Passive Fund while they are stapled. *Further details of the New Stapled Entity and the Stapled Units are set out in Section 2 and Section 10.2.*

### 3.9 Who is eligible to participate in the Trust Scheme?

For the purposes of calculating entitlements to Stapled Units under the Trust Scheme, any dealings in Ordinary Units will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as a holder of Ordinary Units on the Scheme Record Date;
- (b) in all other cases, if registrable transmission applications or transfers in respect of those dealings are received by the Scheme Record Date at the place where the Register is kept; and
- (c) in either case, the dealing did not occur after the close of business on the Trading Cessation Date.

Any transfer or transmission application in respect of Ordinary Units referred to in (b) above received after the Scheme Record Date will not be accepted for registration or recognised for any purpose.

### 3.10 Will trading in the Ordinary Units be suspended?

If Resolutions 1 to 6 are approved by Unitholders trading in Ordinary Units will be suspended on the date of the Meeting (**Trading Cessation Date**). After this date, any trading of Ordinary Units will not be recognised by the responsible entity of the Fund. Following the satisfaction of the Fundraising Condition, the application for admission to the ASX official list of the New Stapled Entity and quotation of Stapled Units will proceed. The Trust Scheme will be implemented, Stapled Securities will be issued under the Fundraising PDS and trading in New Stapled Units will commence. Fractional entitlements to Stapled Units issued on implementation of the Trust Scheme will be cancelled on admission of the New Stapled Entity to the official list of ASX.

If the Proposed Transaction is implemented the Fund will be de-listed and Ordinary Units will not trade again. A Class Units issued by the Fund will not be quoted on ASX. If Unitholders approve Resolutions 1 to 6 and the Ordinary Units are suspended from trading but the Funding Condition is not satisfied, the suspension of Ordinary Units will be lifted and Ordinary Units will recommence trading provided that the Fund complies at that time with Chapter 12 of the ASX Listing Rules which sets out the ongoing requirements for continued listing. There is a risk of prolonged suspension of Ordinary Units.

Chapter 12 of the ASX Listing Rule provides (amongst other matters) the following:

- Level of operations – The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued listing of the entity.
- Financial Condition – An entity's financial condition must, in ASX's opinion, be adequate to warrant the continued listing of the entity.
- Proportion of Assets & Cash – If half or more of an entity's total assets is in cash or in a form readily convertible to cash, ASX may suspend quotation of the entity securities until it invests such cash. This rule prevents the listing, or continued quotation, of "cash box" entities.
- Level of Spread – An entity must maintain a spread of security holdings which, in ASX's opinion, is sufficient to ensure that there is an ordinary and liquid marketing in its securities. The aim of this requirement is to ensure that an entity has enough holders and is different test to the spread test applied by the ASX on an admission to be listed application.
- Appropriate Structure & Operations – An entity's structure and operations must be appropriate for a listed entity.

### 3.11 Summary of the terms of the A Class Units

- (a) Terms of A Class units

The two existing properties held by the Fund located in Frenchs Forest are subject to a conditional contract for sale at a price up to \$32 million. Sale conditions include, among other things, the rezoning of the properties. The Proposed Transaction includes the dilution of the percentage interests of current Unitholders. As the sale contracts for the Frenchs Forest Assets have been negotiated and signed prior to the Proposed Transaction, the Current RE believes that it is only fair that the potential up-side of that sale be preserved to existing Unitholders of the Fund. It is therefore proposed that any excess amount (net of costs incurred) resulting from the sale of the Frenchs Forrest Assets under the existing contract for sale be preserved to existing Unitholders of the Fund by the creation and issue of A Class Units. The A Class Units will not be listed on the ASX.

Resolution 3 provides for the amendment of the Constitution of the Fund to include terms of the A Class Units. Following approval of the Proposed Transaction, A Class Units will be issued pro-rata to existing Unitholders on the record date fixed for that purpose (see Section 3.2). The terms of the A Class Units entitle the holders of A Class Units pro rata to any amount (net of costs) in excess of the Independent Valuation resulting from the sale of the Frenchs Forest Assets under the existing contract for sale (see *Section 7 Financial Information, in particular the Historical Statement of Financial Position in Section 7.2*).

A Class Units will only be able to be issued pro-rata to current Unitholders, not members of the 360 Capital Group becoming Unitholders through the CVC Acquisition.

The rights attaching to the A Class Units will be limited. There will be no right to vote attached to an A Class Unit except on a proposal affecting rights attached to A Class Units. The terms of A Class Units provide only for one possible distribution related to realisation of the Frenchs Forest Assets. Such a distribution will be made pro-rata to the holders of A Class Units only if and to the extent the proceeds of sale of the Frenchs Forest Assets adjusted for rates, land tax and the like and any costs incurred in satisfying the conditions of the existing contract for sale, exceed the Independent Valuation of \$26 million (**Threshold Price**) and completion of the sale occurs no later than 2 years after the date of issue of the A Class Units. The A Class Units will be redeemed on the first to occur of the payment of the distribution and, if the sale of the Frenchs Forest Assets has not completed by the second anniversary of the issue of the A Class Units for a price greater than the Threshold Price, that second anniversary date.

If the sale of the Frenchs Forest Assets has not completed by the second anniversary of the issue of the A Class Units for a price greater than the Threshold Price, the A Class Units will be redeemed with no consideration being paid.



## 4. Evaluation of Proposed Transaction

### 4.1 What are the advantages and disadvantages of the Proposed Transaction

In evaluating the advantages and disadvantages of the Proposed Transaction, the Independent Director on the board of the Current RE considered the following factors:

(a) Advantages

(i) *Broad new investment mandate*

360 Capital has identified a position in the marketplace for an ASX-listed fund to generate attractive income, potential capital gains and trading profits by taking advantage of opportunities which arise from (but not limited to):

- repositioning assets, including short term releasing positions and refurbishment projects etc;
- investing in investment properties that generate rental income;
- underwriting potential raisings in the real estate space including syndicates, unlisted funds, and listed funds;
- taking strategic positions in unlisted funds, this includes providing liquidity solutions to existing unitholders of those funds;
- mispriced trading opportunities within the ASX listed A-REIT sector;
- participating in mergers and acquisition activities occurring within Australian real estate markets; and
- participating in special situations which arise from time to time within Australian real estate markets including distressed sales, investments with restructuring potential, and providing loans.

Should an investment opportunity arise with a related party of the New Stapled Entity, the terms and conditions will be at arms length and the transaction will be subject to unitholder approval where appropriate. The New RE will ensure that any such transaction does not result in a breach of the New Stapled Entity's compliance plan as set out in Section 11.

The Proposed Transaction will enable the Fund to be included in a vehicle proposed to be listed in order to be in a better position to take advantage of and pursue such opportunities.

Please see the Section 1 – "Business Model" for further information.

(ii) *Potential re-rating*

The increased scale and liquidity of the New Stapled Entity following successful completion of the Fundraising may potentially lead to an eventual re-rating of the Stapled Units following implementation of the Proposed Transaction.

(iii) *Diversification of income streams*

The Fund currently owns the Frenchs Forest Assets only.

The Proposed Transaction will involve the New Stapled Entity having an active investment mandate which is expected to result in a diversification of income streams in the New Stapled Entity.

(iv) *Alleviating the risk of a prolonged suspension of the Fund's existing Ordinary Units*

If the Proposed Transaction does not proceed, the Fund will continue with the disposal of its Frenchs Forest Assets, following which the Fund's only asset will be cash. In these circumstances, the Fund may be wound up, or its Ordinary Units may be suspended from trading on the ASX, if it does not undertake some investment activity within 6 months of the date of the Meeting or otherwise justify the continued quotation of its Ordinary Units.

By implementing the Proposed Transaction and undertaking a successful Fundraising, an alternative to the risk of a prolonged suspension of trading in the Ordinary Units will be available.



(v) *Reduction of debt provides the ability to acquire assets*

Proceeds from the Fundraising will initially be used to reduce the level of debt. As the debt facility will remain in place, with a decreased drawn amount, this will provide capacity to fund new investment activities of the New Stapled Entity subject to the approval of the financier.

(b) Disadvantages(i) *Dilution of non-associated Unitholders of the Fund*

The Proposed Transaction involves a capital raise which will see the interests of Non-Associated Unitholders diluted from 10.1% of the Fund to 4.7% of the New Stapled Entity.

Further details of ownership interests resulting from the Proposed Transaction follows:

	Existing Fund	New Stapled Entity after Proposed Transaction (\$10 million raise)
CVC Group and its associates	89.9%	15.6%
Existing Unitholders	10.1%	4.7%
360 Capital Group	0.0%	26.6%
New Investors	0.0%	53.1%
	100%	100%

(ii) *Dilution of NTA*

As set out in the table in Section 7.2, Unitholders of the Fund are likely to experience NTA dilution as a result of the Proposed Transaction. However the issue of A Class Units to existing Unitholders in the Fund mitigates this to the extent that these units entitle their owners to the net amount received in excess of the last Independent Valuation resulting from the sale of the Frenchs Forest Assets under the existing contract for sale.

(iii) *The intentions and objectives of 360 Capital may be different from those of the existing Unitholders*

As set out in the table in Section 4.7, the acquisition of Ordinary Units by 360 Capital Property Limited pursuant to the CVC Acquisition and Trust Scheme will result in the 360 Capital Group having voting power up to a maximum of 56.6% of the Stapled Units. However the CVC Acquisition and the Trust Scheme cannot take place without satisfaction of the Fundraising Condition following which this interest will reduce to a maximum of 26.6%.

The intentions and investment objectives of the 360 Capital may be different from those of the Non-Associated Unitholders, however the Current RE believes that the co-investment by 360 Capital alongside Non-Associated Unitholders actually creates a strong alignment of interest.

(iv) *Transaction Expenses*

The Current RE estimates that the expenses of the Proposed Transaction, other than the Fundraising, will be approximately \$0.3 million (excluding GST).

These expenses must be paid by the Fund regardless of whether the Proposed Transaction proceeds to completion.

(v) *Re listing risk*

The Proposed Transaction will not be implemented unless the ASX notifies the New RE that all relevant requirements of ASX Listing Rules 1 and 2 to enable the New Stapled Entity to list on the ASX have been satisfied (See Fundraising Condition defined term). There may be circumstances beyond the control of the New RE which prevent this from happening and

there will be a period of uncertainty in this regard after the date of the Meeting and cessation of trading in Ordinary Units.

If Unitholders approve Resolutions 1 to 6 and the Ordinary Units are suspended from trading but the Funding Condition is not satisfied, the suspension of Ordinary Units will be lifted and the Ordinary Units will recommence trading provided that the Fund complies at that time with Chapter 12 of the ASX Listing Rules which sets out the ongoing requirements for continued listing. There is a risk of prolonged suspension of Ordinary Units.

(vi) *New investments may require new capital*

Depending on the scale of any further acquisitions, and the amount raised under the Fundraising, any new investment by the New Stapled Entity may require further fundraisings which may be dilutive to those holding Stapled Units following the implementation of the Proposed Transaction (depending on their participation in the Fundraising).

(vii) *Resetting of performance fee*

As part of the Proposed Transaction the New Stapled Entity will introduce a performance fee that is linked to the new investment mandate and being (in general terms) 20% of total returns in excess of 12% per annum (see Section 10.2). This replaces the existing performance fee of the Fund.

The existing performance fee formula is:

Performance Fee = 20% x (Closing Market Capitalisation - Hurdle Amount)

Applying this to the Fund for FY13 and FY14, this translates to 20% of total returns in excess of 10% per annum compounded annually. In calculating the Hurdle Amount, the baseline on which performance is measured (Opening Market Capitalisation) does not change from year to year unless a performance fee is paid, therefore an Opening Market Capitalisation using a price of 16 cents per Unit is used (being the price at 1 January 2007).

Under the new performance fee, the Opening Market Capitalisation is reset annually and will initially be reset to the issue price of Stapled Units under the Fundraising.

The table below outlines how the old performance fee compares to the new performance fee if applied to the financial years ending 30 June 2013 and 30 June 2014.

	FY13	FY14
Old Performance Fee	\$0	\$0
New Performance Fee	\$0	\$0

## 4.2 Independent Director Recommendations and Voting

The Independent Director considered the advantages and disadvantages of the Proposed Transaction outlined above as well as considering the following factors:

(a) Change to activities and risk profile

The Proposed Transaction will involve a change in the structure and the investment mandate of the Fund.

This means that the Fund's risk profile will change as compared to its existing risk profile. The key risk factors for the New Stapled Entity as identified by the Current RE are summarised in Section 6 of this Circular.

(b) Other considerations

Unitholders are referred to paragraph 10 of the Independent Expert's Report for further possible advantages and disadvantages of the Proposed Transaction.

The Independent Director approved the proposal to put the Resolutions to Unitholders.

The Independent Director considers that the Proposed Transaction more fully described in this Circular is in the best interests of the Fund and its Unitholders and recommends that Unitholders

vote in favour of each of the Resolutions required to give effect to the Proposed Transaction and related matters at the forthcoming Meeting.

In making his recommendations, the Independent Director recommends that Unitholders read this Circular in its entirety (including the Independent Expert's Report assessing the relative merits of the Proposed Transaction), and to seek their own independent advice in relation to it.

The Independent Director holds no Ordinary Units in the Fund and therefore cannot vote on the Resolutions. Other than as stated in this Circular, the Independent Director has no interest in the Resolutions.

The other directors of the Current RE hold Ordinary Units in the Fund (see Section 12.2) and therefore do not make any recommendations.

### 4.3 Independent Expert's Report

In compliance with ASIC Regulatory Guide 74 and ASX Listing Rule 10.10, the Current RE appointed Lonergan Edwards & Associates Limited, as an independent expert, to examine the proposals and to provide an opinion as to whether the advantages of the Proposed Transaction outweigh the disadvantages for the Non-Associated Unitholders.

A copy of the Independent Expert's Report is attached as Annexure A to this Circular. Lonergan Edwards & Associates Limited has consented to the use of that report and opinion in the form and context they are used in this Circular.

To the best of the knowledge of the directors of the Current RE (as at the date of this Circular), all matters that are material and reasonably required for Unitholders to make an informed decision on the Resolutions have been provided to Unitholders in this Circular.

### 4.4 Resolutions

Resolutions 1 to 6 are interconditional. Only if Resolutions 1 to 6 are all approved by the Unitholders entitled to vote on each such Resolution at the Meeting will the Resolutions be passed. If one of these Resolutions is not approved then no aspect of the Proposed Transaction will take place (even if the relevant Unitholders voted in favour of the Resolution for an aspect of the Proposed Transaction). Consequently, no part of the Proposed Transaction will take place in isolation from the other elements of the Proposed Transaction as set out in Resolutions 1 to 6. Resolution 7 will not pass unless Resolutions 1 to 6 are passed but the Proposed Transaction is not dependent on the passing of Resolution 7. Please note that even if all Resolutions are passed, the transactions approved including the Trust Scheme will not be implemented unless the Fundraising Condition is satisfied.

### 4.5 Resolution 1: Appointment of New RE

#### (a) Introduction

As outlined in Section 3.2, the Proposed Transaction involves (amongst other elements) the retirement of the Current RE as responsible entity of the Fund and the appointment of the New RE in its place.

Further information about the New RE is set out in Section 5.3.

Unitholder approval is required under Section 601FL of the Corporations Act and clause 20.3 of the Constitution in relation to the retirement and replacement of a responsible entity of a registered managed investment scheme. Section 601FL requires that a responsible entity explain its reasons for wanting to retire and requires unitholders to vote on a resolution to choose a company to be the new responsible entity.

Section 601FL of the Corporations Act requires that a notice must be lodged with ASIC to alter the record of the responsible entity within 2 business Days after a resolution is passed to change the responsible entity. In view of the inter-conditional nature of the Proposed Transaction ASIC has granted a modification of these requirements so that the notice will be lodged within two business days of the last to occur of the passing of the Resolution and satisfaction of the Fundraising Condition.

#### (b) Effect of the change in responsible entity on the Fund

No fees or charges will be paid out of the Fund (other than costs associated with holding the Meeting and fees charged by ASIC) in relation to the retirement of the Current RE and the appointment of the New RE in its place.

The change of responsible entity of the Fund should not give rise to any tax implications for Unitholders. However, Unitholders should seek their own tax advice based on their specific circumstances.

The table below summarises the key effects for the Fund associated with a change of responsible entity:

Element of the Fund's operation	Effect of change of responsible entity
Obligations and liabilities	<p>The rights, obligations and liabilities of the Current RE as responsible entity of the Fund will become the rights, obligations and liabilities of the New RE as responsible entity of the Fund.</p> <p>Change of control consents have been obtained from all relevant counterparties of material contracts to which the Fund is a party. As such, the proposed change of responsible entity of the Fund is not expected to have any material negative consequences on the Fund.</p>
Corporate governance	<p>The directors and company secretary of the New RE will be responsible for decision making and governance in relation to the Fund.</p> <p>All of the Fund's corporate governance policies and procedures will be changed to mirror those adopted by other funds in the 360 Capital where appropriate.</p>
Investment management	<p>The day-to-day management of the Fund will be undertaken by 360 Capital's management team.</p> <p>As such, the management procedures, staff and investment strategy adopted by the Fund will change.</p>
Financial and other resources	<p>Following implementation of the Proposed Transaction, the Fund will become one of the investment vehicles in the 360 Capital Group.</p> <p>As such, the Fund will have access to the same financial resources and benefits (including administrative and back office capabilities) as other funds in the 360 Capital Group.</p>
Controls (risk management, custody, etc)	<p>The Fund's compliance and risk management procedures will be reviewed and brought in line with other funds in the 360 Capital, including the Fund's administration and custodial arrangements.</p>

(c) Passing of Resolution 1

As a special resolution under clause 20.3 of the Constitution, Resolution 1 will be passed if at least 75% of the votes cast by Unitholders entitled to vote on this Resolution are cast in favour of this Resolution.

The passing of each of Resolutions 1 to 6 is dependent on the passing of each other of Resolutions 1 to 6.

(d) Process for changing the responsible entity of the Fund

If Resolution 1 is passed and the Fundraising Condition satisfied:

- (i) the Current RE will enter into a deed of retirement and appointment with the New RE, under which the Current RE will retire as responsible entity of the Fund, and New RE will be appointed as the replacement responsible entity of the Fund; and
- (ii) the Current RE will lodge a notice with ASIC (which must be done within 2 business days after the last to occur of the passing of Resolution 1 and satisfaction of the Fundraising Condition).

The change in responsible entity will take effect subject to and upon ASIC altering its record of the Fund's registration.

(e) Current RE's recommendation

The Current RE will only retire as responsible entity of the Fund if the Proposed Transaction is approved by Unitholders passing Resolutions 1 to 6 proposed at the Meeting and if the Fundraising Condition is satisfied. The reason for the Current RE's retirement is that its retirement and replacement by the New RE will enable the 360 Capital to have one designated entity acting as responsible entity of all its funds. This is expected to streamline the administration of the Fund, as well as provide general improvement in efficiencies and effectiveness in performance of the responsible entity role across all funds in the 360 Capital. The New RE will also be the responsible entity of the New Stapled Entity.

The streamlined responsible entity function across the 360 Capital is expected to result in savings in compliance, corporate governance and administration costs which will be of benefit to the Fund. These costs are currently forecast at \$110,000 and it is envisaged that the New RE will be in a position to renegotiate some of these fees given it has \$1.0 billion in funds under management. While cost savings are expected to emerge, the total amount of cost savings for the Fund is not able to be quantified at this stage.

The Current RE considers the implementation of the Proposed Transaction (of which the change of responsible entity is one element) to be in the best interests of all Unitholders.

For the reasons stated above, the Current RE recommends that Unitholders vote in favour of this Resolution.

**4.6 Resolution 2: Increase in voting power of 360 Capital**(a) Acquisition of Units by 360 Capital for cash

The Proposed Transaction includes the sale of up to 434,782,609 Ordinary Units held by members of the CVC Group and constituting a maximum of 56.6% of the Ordinary Units to 360 Capital Property Limited at a minimum price of 1.15 cents per Ordinary Unit for a total consideration of \$5 million. The price will align with the offer price of Stapled Units under the Fundraising PDS. Resolution 2 proposes that Unitholders approve that proposed acquisition of Ordinary Units by 360 Capital Property Limited as outlined in this Circular (CVC Acquisition). By this acquisition, 360 Capital will acquire voting power in 56.6% of the Ordinary Units. Completion of this transaction will not occur unless Resolutions 1 to 6 are passed and the Fundraising Condition is satisfied so that the 56.6% interest will reduce to a maximum interest of 26.6%.

The above proposed acquisition of Ordinary Units requires the approval of the Unitholders entitled to vote on that proposal in accordance with Section 611 (item 7) of the Corporations Act. This provision expressly permits an acquisition of units by a person which will result in that person's voting power in the Fund (i) increasing from a starting point that is below 20% or (ii) increasing from a starting point above 20% but below 90%, in each case if the acquisition is approved by those Unitholders not associated with the particular seller or buyer (or their associates) (in this case both 360 Capital Group and the CVC Group).

(b) Passing of Resolution 2

As an ordinary resolution, Resolution 2 will be passed if at least 50% of the votes cast by Unitholders entitled to vote on this Resolution are cast in favour of this Resolution.

The passing of each of Resolutions 1 to 6 is dependent on the passing of each other of Resolutions 1 to 6.

(c) Current RE's recommendation

The Current RE recommends that Unitholders vote in favour of this Resolution for the following reasons:

- (i) the acquisition of Ordinary Units provides the means for the 360 Capital Group to invest in the New Stapled Entity alongside CVC Group and other current investors in accordance with its policy to align its interests with the interests of investors in the funds which it manages;
- (ii) the increase in voting power of the 360 Capital Group is a consequential outcome of implementation of the Proposed Transaction; and
- (iii) the Current RE considers the Proposed Transaction is in the best interests of all Unitholders.

#### 4.7 Information required under the Corporations Act for Resolutions 2

In accordance with the requirements of Section 611 item 7 of Corporations Act, the following information is provided in relation to the acquisition of Units by 360 Capital Property Limited by virtue of the CVC Acquisition (**Acquisitions**):

<b>Names of the acquiring entities and their associates:</b>	360 Capital Property Limited 360 Capital and its controlled entities The directors of 360 Capital Group entities (see Section 10.1)
<b>Maximum extent of the increase in 360 Capital's voting power in the Fund that would result from the CVC Acquisition:</b>	56.6% (Before Fundraising)
<b>The voting power in the Fund that 360 Capital will have as a result of the CVC Acquisition and a minimum Fundraising of \$10.0 million at a minimum price of \$1.15 per Stapled Unit</b>	26.6%

#### 4.8 Resolution 3: Amendments to the Constitution for the issue of the A Class Units

(a) Proposed amendments

Resolution 3 proposes amendments to the Constitution to include the terms of A Class Units and to enable the issue of A Class Units to be implemented.

In summary, the proposed amendments to the Fund's Constitution provide for the terms of issue of the A Class Units to existing holders of Ordinary Units in order to preserve for them any amount (net of costs) in excess of the Independent Valuation resulting from the sale of the Frenchs Forest Assets under the existing contract for sale. The gross sale price is expected to be between the Independent Valuation and \$32 million.

The amendments are set out in full in the Supplemental Deed attached as Annexure C of this Circular and a summary of the terms of issue of the A Class Units is set out in Section 3.11.

(b) Passing of Resolution 3

Section 601GC(1) of the Corporations Act and clause 22.1 of the Constitution require certain amendments to the Constitution to be made by a special resolution of Unitholders.

Accordingly, Resolution 3 will be passed if at least 75% of the votes cast by Unitholders entitled to vote on this Resolution are cast in favour of this Resolution.

The passing of each of Resolutions 1 to 6 is dependent on the passing of each other of Resolutions 1 to 6.

(c) Process for amending the Constitution

If Resolutions 1 to 6 are passed and the Fundraising Condition is satisfied, the Current RE will execute the Supplemental Deed and lodge it with ASIC. The amendments to the Constitution set out in the Supplemental Deed will take effect upon its lodgement with ASIC.

*A summary of the terms of the A Class Units is set out in Section 3.11 and a summary of the Supplemental Deed is set out in Section 10.4(b).*



(e) Current RE's recommendation

The Current RE recommends that Unitholders vote in favour of this Resolution for the following reasons:

- (i) the amendments will enable the issue of A Class Units to current Unitholders to preserve for those Unitholders only, the benefit of the purchase price of the Frenchs Forest Assets received by the Fund in excess of the Independent Valuation;
- (ii) the Current RE considers the amendments proposed in the Supplemental Deed are in the best interests of all Unitholders; and
- (iii) adopting the amendments proposed in the Supplemental Deed will facilitate the implementation of the Proposed Transaction.

**4.9 Resolution 4 and 5: The Trust Scheme**(a) Introduction

Resolution 4 proposes that the Trust Scheme be implemented and Resolution 5 proposes that the Constitution be amended to enable the Trust Scheme to be implemented in accordance with the terms set out in the Circular. In particular, each Unitholder in the Fund at the Scheme Record Date will transfer their Ordinary Units (including the Ordinary Units issued to 360 Capital Property Limited as a result of the CVC Acquisition) to the New Passive Fund in consideration of the issue of one unit in the New Passive Fund, which will be stapled to one unit in the New Active Fund, (on the basis of one Stapled Unit for each one hundred Ordinary Units). Fractional interests will be issued but cancelled on admission of the New Stapled Entity to the official list of ASX.

(b) Rationale for the Trust Scheme

As Unitholders are aware, the Fund is in the process of disposing of its assets and (as at the date of this Circular) the only assets of the Fund are the Frenchs Forest Assets, which are collectively the subject of a conditional contract for sale.

The Current RE has explored, for some time, opportunities to maximise returns to Unitholders. Having carefully considered a number of options, the Independent Director of the Current RE believes that, subject to Unitholder approval, the Trust Scheme represents an attractive opportunity for Unitholders, noting the opportunities identified through the strategic review and set out in Section 3.1.

*Further information about the profile of the Fund following implementation of the Trust Scheme is set out in Section 3 and Section 10.*

*Further information about the financial impact of the Trust Scheme is set out in Section 7.*

(c) Corporations Act

While the Fund is listed, acquisitions of voting power in excess of 20% are restricted under the Corporations Act. Under the Trust Scheme the new Passive Fund will acquire 100% of the voting power in the Fund through the proposed acquisition of all the Ordinary Units held by Unitholders. The Trust Scheme therefore requires the approval of the Unitholders entitled to vote on that proposal in accordance with Section 611 (item 7) of the Corporations Act. This provision expressly permits an acquisition of units by a person which will result in that person's voting power in the Fund (i) increasing from a starting point that is below 20% or (ii) increasing from a starting point above 20% but below 90%, in each case if the acquisition is approved by those Unitholders not associated with the particular seller or buyer (or their associates).

In the case of the Trust Scheme each Unitholder is a seller of Ordinary Units in the Trust Scheme and would be excluded from voting under Section 611 (item 7) of the Corporations Act. Accordingly, the Fund has applied for relief from ASIC to enable the Unitholders to vote on the Trust Scheme. ASIC has granted a modification of Section 611 item 7 to allow Non-Associated Unitholders to vote on Resolution 4 in terms of Section 611 item 7 of the Corporations Act in relation to the acquisition of the Ordinary Units by the New Stapled Entity. The Current RE and its associates are not Non-Associated Unitholders and will not be entitled to vote unless they are acting as a proxy or attorney on instructions as to how to vote (see Section 13.2).

- (e) Information required by the Corporations Act  
 The New Passive Fund does not currently hold any Ordinary Units. As a result of the Trust Scheme the New Passive Fund will hold 100% of the Ordinary Units and therefore exercise 100% of the voting power in the Fund.
- (f) Proposed amendments to the Constitution  
 Resolution 5 proposes amendments to the Constitution to enable the Trust Scheme to be implemented.  
 In summary, the proposed amendments to the Constitution provide for:
- (i) the change of the Fund's name to "360 Capital Total Return Sub Fund"; and
  - (ii) all the Ordinary Units in the Fund to be transferred to the New Passive Fund in exchange for the issue of Stapled Units to the Unitholders.
- The amendments are set out in full in the Supplemental Deed attached as Annexure C of this Circular and further details are included in Section 10.4(b).
- (g) Passing of Resolution 4  
 As an ordinary resolution, Resolution 4 will be passed if at least 50% of the votes cast by Unitholders entitled to vote on this Resolution are cast in favour of this Resolution.  
 The passing of each of Resolutions 1 to 6 is dependent on the passing of each other of Resolutions 1 to 6.
- (h) Passing of Resolution 5  
 Section 601GC(1) of the Corporations Act and clause 22.1 of the Constitution require certain amendments to the Constitution to be made by a special resolution of Unitholders.  
 Accordingly, Resolution 5 will be passed if at least 75% of the votes cast by Unitholders entitled to vote on this Resolution are cast in favour of this Resolution.  
 The passing of each of Resolutions 1 to 6 is dependent on the passing of each other of Resolutions 1 to 6.
- (i) Process for amending the Constitution  
 If Resolution 5 (and each other Resolution) is passed and the Fundraising Condition is satisfied, the Current RE will execute the Supplemental Deed and lodge it with ASIC. The amendments to the Constitution set out in the Supplemental Deed will take effect upon its lodgement with ASIC.
- (j) Consequences if the Trust Scheme does not proceed  
 If a transaction such as the Proposed Transaction including the Trust Scheme is not implemented, the Fund will continue with the disposal of its Frenchs Forest Assets, following which the Fund's only asset will be cash. In these circumstances, the Fund may be wound up, or its Units may be suspended from trading on the ASX, if it does not undertake some investment activity within 6 months of the date of the Meeting or otherwise justify the continued quotation of its Ordinary Units.
- (k) Current RE's recommendation  
 The Current RE recommends that Unitholders vote in favour of this Resolution for the following reasons:
- (i) the Current RE considers the amendments proposed in the Supplemental Deed are in the best interests of all Unitholders;
  - (ii) adopting the amendments proposed in the Supplemental Deed will facilitate the implementation of the Proposed Transaction;
  - (iii) the Current RE considers the Trust Scheme represents an attractive opportunity for Unitholders; and
  - (iv) the Current RE considers the Trust Scheme is in the best interests of all Unitholders.



#### 4.11 Resolution 6: Listing Rule 11, substantial change

(a) Introduction

ASX Listing Rule 11.1 requires that where a listed entity proposes to make a significant change to the nature or scale of its activities, it must notify ASX. Following notification to ASX of the Proposed Transaction ASX has required that approval of Unitholders be obtained for the Proposed Transaction under Listing Rule 11.1.2 and that Chapters 1 and 2 of the ASX Listing Rules be satisfied in respect of the listing on ASX of the New Stapled Entity.

(b) Impact of the Proposed Transaction

The Proposed Transaction will involve a significant change for the Fund in that:

- (i) it will cease to be listed and will become a sub-fund of a new listed stapled fund;
- (ii) the interests of Unitholders as at the date of the Circular will reduce from 100% of the Fund to 20:3% of the new listed stapled fund (see *Section 4.1(b)(i)*);
- (iii) the assets of the Fund will not change but the larger group of which it will be part following implementation of the Proposed Transaction will have a changed investment mandate and an improved ability to borrow or raise further equity to carry out that mandate; and
- (iv) the management of the Fund will change from the CVC Group to the 360 Capital Group.

(c) Passing of Resolution 6

As an ordinary resolution, Resolution 6 will be passed if at least 50% of the votes cast by Unitholders entitled to vote on this Resolution are cast in favour of this Resolution.

The passing of each of Resolutions 1 to 6 is dependent on the passing of each other of Resolutions 1 to 6.

(d) Current RE recommendation

The Current RE recommends that Unitholders vote in favour of this Resolution for the following reasons:

- (i) the significant change is inherent in the nature of the Proposed Transaction;
- (ii) the significant change will not take place unless the Fundraising Condition is satisfied and Resolutions 1 to 6 have been passed;
- (iii) without the Proposed Transaction the future of the Fund as a listed entity is not clear; and
- (iv) the Current RE considers that the Proposed Transaction is in the best interests of all Unitholders.

Satisfaction of the Fundraising Condition includes a requirement that ASX notifies the New RE that the relevant requirements of Chapters 1 and 2 of the ASX Listing Rules for admission of the New Stapled Entity to the official list of ASX and quotation of the Stapled Units have been satisfied. In general terms these will be, in relation to the New Stapled Entity:

- (v) its structure, including its capital structure and its operations are appropriate for a listed entity;
- (vi) it will have issued a PDS or information memorandum and Stapled Units will be issued for at least 20 cents;
- (vii) its issued securities will meet ASX minimum spread requirements;
- (viii) it will satisfy the assets test at the time of admission; and
- (ix) it will submit an Appendix 1A ASX Listing Application and Agreement and the accompanying information form and checklist.

#### 4.13 Resolution 7: removal of auditor of the Fund and its compliance plan

(a) Background

Auditors of the 360 Capital funds and of their compliance plans are partners of Ernst & Young. Two Partners of Ernst & Young have consented to become, as to one, the auditor of the Fund and the New Stapled Entity and as to the other, of the compliance plan of each in accordance with the requirements of the Corporations Act, if the Proposed Transaction is implemented. If the Proposed Transaction is implemented the New RE wishes to remove partners of Mann Judd as the auditor of the Fund and of the Fund's compliance plan and appoint the partners of Ernst & Young in their place in the interests of audit consistency and optimising efficiency in relation to the financial administration of the Fund.

(b) Corporations Act

Section 331AC of the Corporations Act provides that the responsible entity of a registered managed investment scheme may remove the auditor of the scheme with the consent of ASIC. Section 331AAB of the Corporations Act provides that where there is a vacancy in the office of auditor of a managed investment scheme the responsible entity of the managed investment scheme must appoint an auditor to fill the vacancy within a month. Resolution 6 is to provide Unitholder approval for the responsible entity of the Fund to remove and replace the auditor of the Fund in accordance with the Corporations Act.

Notwithstanding the approval of Unitholders to the removal of the auditor, it will be necessary for the responsible entity of the Fund to obtain ASIC approval for the removal. An application to ASIC will be made after satisfaction of the conditions for implementation of the Proposed Transaction and the passing of Resolution 7. The application will attach the Unitholder resolution and the consent of the relevant partner of Ernst & Young to fill the vacancy. The application will seek approval for the removal and replacement to take effect promptly following the satisfaction of the Fundraising Condition and otherwise than at the annual general meeting of the Fund on the basis that, if the Proposed Transaction is approved and the Fundraising Condition satisfied, exceptional circumstances (within ASIC guidelines for consent) will exist because the Fund will not be audited by the auditors of its parent.

Section 601HH of the Corporations Act provides that the responsible entity of a registered managed investment scheme may remove the auditor of the compliance plan of the scheme with the consent of ASIC. A similar process to that described above for ASIC approval is relevant to the removal of the auditor of the compliance plan.

Section 601HG of the Corporations Act requires that the responsible entity of a registered managed investment scheme must ensure that at all times an auditor has been engaged to audit the compliance plan of the fund. The replacement will take place promptly following the removal becoming effective.

(c) Passing of Resolution 7

There is no statutory requirement for the resolution and it will be passed as an ordinary resolution. As an ordinary resolution, Resolution 6 will be passed if at least 50% of the votes cast by Unitholders entitled to vote on this Resolution are cast in favour of this Resolution.

For Resolution 7 to pass, each of Resolutions 1 to 6 must also pass.

(d) Current RE's recommendation

The Current RE recommends that Unitholders vote in favour of this Resolution for the following reasons:

- (i) the Current RE considers that if the Proposed Transaction is implemented the Fund will benefit from consistent and efficient financial administration of the Fund through audit of the Fund and the compliance plan as proposed; and
- (ii) the Current RE considers the Proposed Transaction is in the best interests of all Unitholders.

## 5. Management of the New Stapled Entity

### 5.1 Overview

Under the Proposed Transaction, the responsible entity of the New Stapled Entity will be the New RE, which is a wholly owned entity of 360 Capital.

### 5.2 About the 360 Capital

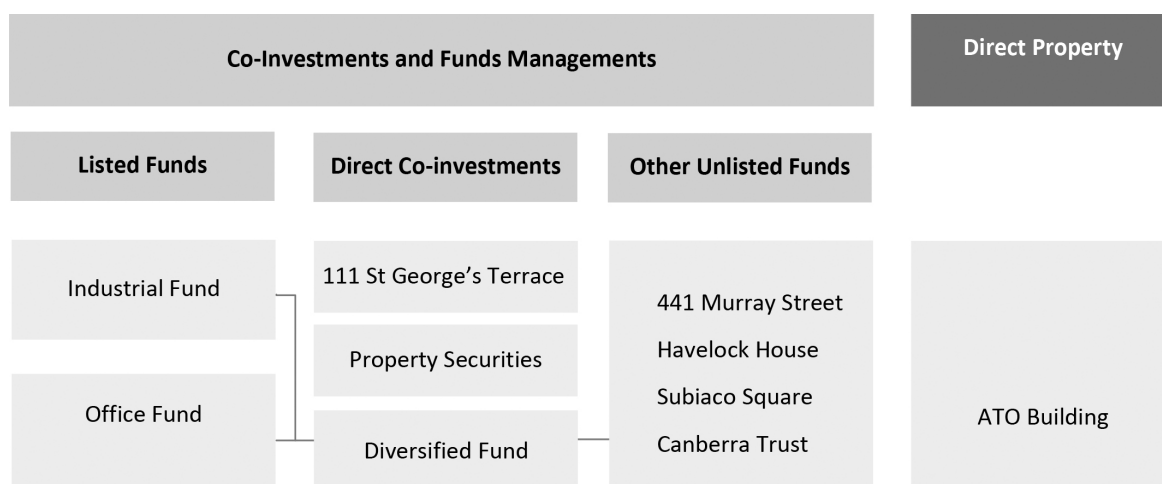
#### (a) Overview

360 Capital is an ASX-listed (ASX:TGP) real estate investment and funds management group with a market capitalisation of approximately \$240.0 million. The 360 Capital senior management team has an average of almost 20 years' of experience across the Australian real estate and funds management sectors.

360 Capital is 20.9% owned by Tony Pitt who is 360 Capital's Managing Director and the 360 Capital management team own a further 6.8% of 360 Capital.

#### (b) Structure

360 Capital manages eight investment vehicles holding 30 industrial, office, and retail assets across Australia valued at more than \$1.0 billion on behalf of almost 10,000 investors and also holds over \$126.0 million in co-investments across the 360 Capital platform and one direct asset valued at over \$38.5 million.



### 5.3 About the New RE

#### (a) Company details and Australian Financial Services Licence

The New RE is an Australian public company which is a wholly owned subsidiary of 360 Capital.

The New RE holds an Australian Financial Service Licence (AFSL 340304) issued by ASIC which authorises the New RE to act as responsible entity of the Fund, the New Passive Fund and the New Active Fund.

#### (b) Board of the New RE

The board of directors of the New RE comprises the following persons:



**David van Aanholt, Independent Chairman**

David has over 20 years of experience in the real estate funds management industry. David's previous roles have included Chief Executive Officer (Asia Pacific) of the Goodman Group (previously known as Macquarie Goodman) overseeing the group's operations in Australia, New Zealand, Hong Kong and Singapore. David previously held various Fund Manager roles for Paladin Australia Limited (acquired by Deutsche Bank) and Macquarie Goodman Industrial Fund.



**Tony Pitt, Managing Director**

A 360 Capital founding director, Tony has worked in the real estate and real estate funds management industries for 15 years. As Managing Director, Tony has been responsible for the repositioning the Group since December 2010 through the disposal of in excess of \$340m in underlying fund and trust assets and the refinancing of approximately \$500m in debt. Tony was formerly the director of JF Meridian Trust (JFM), an ASX listed diversified trust and was responsible for growing JFM from \$530m to \$1.1 billion in assets over a three year period. Tony was previously an executive director of James Fielding Funds Management Limited, JF Meridian Management Limited, Hotel Capital Partners Limited, Bankminster Properties Limited and Travelodge Hotel Group.



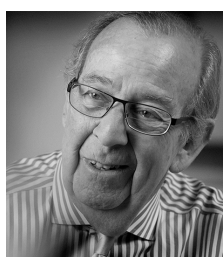
**Andrew Moffat, Independent Director**

Andrew has in excess of 20 years of corporate and investment banking experience. Andrew is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services. Andrew is the Chairman of Pacific Star Network Limited and a non-executive director of Rubik Financial Limited. Andrew was previously a director of Equity Capital Markets and Advisory for BNP Paribas Equities (Australia) Limited.



**John Ballhausen, Independent Director**

John is a financial services professional. He provides services to a number of organisations including PortNordica Limited and Equity for Living (Australia) Pty Ltd. In 2002, John founded Rimcorp Property Limited and became its Managing Director until Rimcorp was successfully sold in 2008, with approximately \$100m in funds under management in four registered property schemes John has held the position of Chief Investment Officer with a major insurance group, with responsibility for more than \$3 billion of funds.



**Graham Lenzner, Independent Director**

Graham has had a career spanning four decades, with particular emphasis on funds management and financial markets. Graham was an executive director of the Armstrong Jones Group for 12 years, the last 4 years as Joint Managing Director. Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited. Graham has served on the board of a number of public and private companies. He is currently Chairman of Device Technologies Australia Pty Limited and Chairman of Heemskirk Consolidated Limited.

(c) Senior Management of the New RE

The Senior Management of the New RE comprises the following persons:



**Ben James, Chief Investment Officer**

Ben is responsible for all property investment activities within 360 Capital. Ben has over 19 years' experience in real estate funds management. Prior to joining 360 Capital in 2010, Ben was the Trust Manager of Mirvac Property Trust, the investment vehicle of Mirvac Group. Prior to his 12 years at Mirvac, Ben held positions in property management and investment sales with Colliers International.



#### **Alan Sutton, Company Secretary**

Alan is responsible for 360 Capital's corporate financial reporting and all company secretarial matters. Alan is a CPA and Registered Tax Agent with more than 30 years' experience in financial control. Prior to 360 Capital, Alan was the Company Secretary for Lachlan REIT Limited, Financial Controller at Paladin Australia's Financial and was responsible for all accounting and financial aspects of the Asset Management Property Group at Deutsche.



#### **Charisse Nortje, Company Secretary**

Charisse joined 360 Capital in 2013 as Company Secretary for the fund's custodian, 360 Capital Investment Management Limited, and is responsible for all company secretarial matters for the custodian and its related portfolio of listed and unlisted funds. Prior to 360 Capital, Charisse was Company Secretary at RATCH-Australia Corporation Ltd (formerly known as Transfield Services Infrastructure Fund), and prior to that, Charisse worked in the UK for 7 years as General Counsel & Company Secretary for both listed (UK Mail plc) and unlisted (Metsec plc) companies across mail/logistics and manufacturing/engineering industries. Originally qualified as a lawyer, Charisse holds an MBA and is an associate member with the Governance Institute Australia and the Institute of Chartered Secretaries and Administrators UK (AGIA/ACIS).



#### **Glenn Butterworth, Chief Financial Officer**

Glenn Butterworth was appointed as Chief Financial Officer in December 2013. Glenn is responsible for all 360 Capital's financial management activities. Prior to joining 360 Capital Glenn spent 11 years at Mirvac, most recently as Financial Controller of the Investment Division. Glenn was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management experience.



#### **Tim Spencer, Head of Investor Relations**

Tim is responsible for all marketing and communications with key external stakeholders including institutional investors, analysts and media, as well as product and market development initiatives. Tim has 20 years real estate market experience having held senior property securities analyst positions and roles in investment analysis, portfolio management, trust management, investor relations, research and product development. Previously, Tim was Investor Relations Manager for ING Industrial Fund and ING Office Fund, Head of Listed Securities at Brookfield Multiplex Capital and Fund Manager of the ASX-listed Multiplex Acumen Property Fund.



#### **Troy Thompson, Corporate Financial Controller**

Troy is responsible for all accounting and financial aspects of the 360 Capital Group including statutory & management reporting, GST & income tax compliance & treasury control. Troy joined 360 Capital from Trafalgar Corporate Group. Troy was with Trafalgar for 7 years and has an in-depth knowledge of all financial management facets of the previous business Troy has a Bachelor of Commerce Degree from the University of Newcastle and has been a member of CPA Australia since 2003.



#### **Kevin Low, Trust Manager**

Kevin is responsible for the 360 Capital Investment Trust. He has 10 years' experience in property investment, development, advisory and research. Prior to joining 360 Capital, Kevin was responsible for all valuations, forecasting and analysis for Mirvac Property Trust. Kevin has also held the roles of development analyst at Mirvac Group, Senior Analyst at BDO Property Transaction Services and Senior Research Analyst at the Property Council of Australia.



## 6. Risks

---

### 6.1 Overview

This section describes what the Current RE believes to be the major risks associated with the Proposed Transaction. It does not purport to be an exhaustive list of every risk that may be associated with the Proposed Transaction now or in the future. The consequences associated with each risk are partially or completely outside the control of the responsible entity and, if they were to eventuate, may adversely affect the future operating performance of, and the value of an investment in, the Fund.

Before voting, you should satisfy yourself that you have a sufficient understanding of the risks described in this section having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Circular you should seek advice from your broker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding how to vote.

### 6.2 Transaction Risk

The completion of the Proposed Transaction is conditional on regulatory approval from bodies including ASIC and ASX, member approval of Resolutions 1 to 6 and satisfaction of the Fundraising Condition. Any approval withheld, may adversely affect the Fund's ability to complete the Proposed Transaction.

The New RE has had discussions with two professional and reputable underwriters who have underwritten capital raises by other funds managed by the New RE. These underwriters have assessed the New Stapled Entity and are supportive of the Fundraising subject to the prevailing market conditions at the time of the Fundraising. The intention is to enter into an underwriting agreement at the time of the Fundraising as is standard practice for a capital raise. Based on the aforementioned, the New RE has no reason to believe an underwriting agreement will not be entered into on market standard terms.

While it is proposed that the Fundraising will be underwritten to a minimum of \$10 million, no underwriting agreement has been signed at the date of this Circular and, to this end, there is a risk that the Fundraising is not underwritten. The Current RE will update Unitholders if this situation changes.

If Unitholders approve Resolutions 1 to 6 and the Ordinary Units are suspended from trading but the Funding Condition is not satisfied, the suspension of Ordinary Units will be lifted and the Ordinary Units will recommence trading provided that the Fund complies at that time with Chapter 12 of the ASX Listing Rules which sets out the ongoing requirements for continued listing. There is a risk of prolonged suspension of Ordinary Units.

### 6.3 Existing Risks of the Fund

#### Breach of debt covenants

As at the date of this Circular, the Fund is in compliance with all covenants under its current debt facility. The Fund's debt covenants have income and asset value tests. Falling asset values, declining rental income or other unforeseen circumstances may cause covenants under the Fund's debt facility to be breached. A breach of a debt facility covenant may result in a financier enforcing its security over the relevant assets. The financier may require repayment of the facility, possibly prior to its expected expiry. This could result in an early sale of assets at a less than optimal sale price, for instance, in a depressed market; additional equity being required; or distributions being reduced or suspended to repay the borrowings.

#### Interest rates

The current debt facility expires in 31 October 2015. There is a risk that a replacement debt facility may not be available on the same terms upon extension or refinancing, or when new finance is sought. There is also a risk that interest rates may increase, however the Fund may enter into interest rate swap contracts to hedge some of the Fund's drawn debt balance. These risks may have a material, adverse impact on the Fund's activities, financial position and distributions in the future.

**Lease expiry**

There are no lease expiries within the Forecast Period. However, in relation to the Frenchs Forest Assets, the lease to Ricoh Australia, at 8 Rodborough Road, expires in September 2015 and the tenancies at 357 Warringah Road, Frenchs Forest expire in February 2017 and there is no certainty that the options for renewal will be exercised.

**Risk of a prolonged suspension of the Fund's existing Units**

If the Proposed Transaction does not proceed, the Fund will continue with the disposal of its Frenchs Forest Assets, following which the Fund's only asset will be cash. In these circumstances, the Fund may be wound up, or its Ordinary Units may be suspended from trading on the ASX, if it does not undertake some investment activity within 6 months of the date of the Meeting or otherwise justify the continued quotation of its Units.

By implementing the Proposed Transaction and undertaking a successful Fundraising, an alternative to the risk of a prolonged suspension of trading in the Units will be available.

**6.4 New Investment Mandate risks****Deal flow**

The Proposed Transaction does not introduce any new assets. The performance of the New Stapled Entity is to a large extent dependent on the ability of the senior management team to identify and source suitable investment opportunities. Such opportunities are subject to market conditions and other factors outside the control of the senior management team. Failure to deploy the funds raised under the Fundraising in suitable investment opportunities will adversely affect returns available to holders of Stapled Units. As the new investment mandate is opportunistic and not definitive it is not possible to quantify income and capital returns of new investments.

**Capital values**

The ongoing value of an investment is influenced by changes in market conditions including supply and demand. There is no guarantee that an investment will achieve a capital gain on its sale or that the value of the investment will not fall as a result of unfavourable economic or market conditions.

**Income Returns**

Distributions to holders of Stapled Units will include a degree of dependency upon the income return received in connection with the investments of the New Stapled Entity. There is a risk that the contracts associated with investments may fall into default which could result in a reduction in income and additional expenses associated enforcement action. Defaults may have an adverse impact on the net income and distributions of the New Stapled Entity, its ability to satisfy its debt facility covenants, an investments capital value and potentially the NTA per Stapled Unit and the trading price per Stapled Unit.

The earnings of the New Stapled Entity may be volatile due to the uncertain timing in relation to making opportunistic investments, receiving income from (if any), and realising of, these investments.

**Liquidity**

If it becomes necessary for the New Stapled Entity to dispose of one or more of its investments (for example, to reduce LVR) there is a risk that the New Stapled Entity may not be able to realise sufficient assets in a timely manner or at an optimal sale price. This may adversely affect the NTA per Stapled Unit or trading price per Stapled Unit.

**General Fundamental exposures**

Underlying risks in investments may include: Australian and international economic conditions, inflation, interest rates, equity market conditions, environmental concerns, regulatory/compliance issues, geopolitical instability or investor sentiment.

**Due Diligence**

Some investments may be made based on limited due diligence of publicly available information. This may increase the risk of individual investments and could lead to material adverse effects on the performance of the New Stapled Entity.

## **Fundraising**

Unitholders who have exchanged their Ordinary Units for Stapled Units risk being diluted by the Fundraising unless they acquire more Stapled Units.

## **Listing**

Unitholders may approve Resolutions 1 to 6 and trading in Ordinary Units may have been suspended but if the Fundraising Condition is not satisfied, the Proposed Transaction will not be implemented. The Fundraising is not wholly or partly underwritten at the date of this Circular.

## **Trading price of Stapled Units if New Stapled Entity is Listed**

The Stapled Units to be issued under the Trust Scheme are anticipated to be listed on the ASX on or about 13 March 2015. The market price of Stapled Units will fluctuate due to numerous factors including general movements in interest rates, the Australian and international general investment markets, economic conditions, global geo-political events and hostilities, investor perceptions and other factors that may affect the financial performance and position of the New Stapled Entity. The price of the Stapled Units also fluctuates due to changes in the market rating of the Stapled Units relative to other listed and unlisted property investments, other investment options such as debentures or interest bearing deposits and investor sentiment towards the New Stapled Entity. There can be no guarantee that liquidity will be maintained and the number of potential buyers or sellers of the Stapled Units on the ASX at any given time may vary. This may increase the volatility of the market price of the Stapled Units and therefore affect the market price at which holders are able to buy or sell Stapled Units. Holders of Stapled Units who wish to sell their Stapled Units may be unable to do so at a price acceptable to them. The market price of Stapled Units could trade on the ASX at a discount to NTA per Stapled Unit.

## **Refinancing risk and LVR**

The ability of the New Stapled Entity to raise funds, including both debt and equity, on favourable terms (including fees and the interest rate margin payable) for future refinancing, capital expenditure, or acquisitions depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of the New Stapled Entity. Any change in these factors could increase the cost of funding, or reduce the availability of funding, as well as increase the refinancing risk of the New Stapled Entity for maturing debt facilities. The ability of the New Stapled Entity to refinance its debt facilities as they fall due will depend upon market conditions, the performance of the assets of the New Stapled Entity and the financial position of the tenants of property of the New Stapled Entity. If the debt facilities are not refinanced, or need to be repaid, it is possible that the New Stapled Entity will need to realise assets for less than their fair value, which would impact the NTA per Stapled Unit. The Fund is a geared investment product. The level of the Fund's LVR will magnify the effect of any movements in the value of the property portfolio.

Under the Proposed Transaction, the net proceeds of the Fundraising will be utilised to reduce the amount of drawn debt resulting in the New Stapled Entity having a lower level of gearing than the existing Fund.

The debt of the Fund is currently secured against the Frenchs Forest Assets and an asset not owned by the Fund (Knoxfield Property). Prior to completion of the Proposed Transaction, this asset will have to be released from the security pool of the debt facility. There is a risk that the lender will not agree to this release, however given the significant reduction in drawn debt resulting from the Fundraising, the New RE believes this risk to be minimal.

## **Ranking**

If the New Stapled Entity is wound-up, holders of Stapled Units will rank behind secured and unsecured creditors of the New Stapled Entity. If there is a shortfall of funds on winding-up, there is a risk that holders of Stapled Units will receive less than the NTA per Stapled Unit.

## **Responsible Entity risk**

By investing in the New Stapled Entity, investment decisions are delegated to the New RE. The performance of the New Stapled Entity is affected by the performance of the New RE and that of the external service providers engaged by the New RE and is therefore not assured.



## **Dilution**

Future capital raisings and equity-funded acquisitions by the New Stapled Entity may dilute the holdings of holders of Stapled Units. In the normal course of managing the New Stapled Entity the Responsible Entity is seeking to increase distribution income to holders of Stapled Units and to provide the potential for capital growth. In order to provide this growth, capital raisings may be undertaken to acquire property investments. In certain circumstances, a capital raising may need to be undertaken to reduce debt in order that the New Stapled Entity will remain compliant with its debt covenants.

## **Distributions may vary**

The ability of the New Stapled Entity to pay distributions is dependent upon it having sufficient cash resources and distributable income. Whilst the level of income derived from direct property investments from year to year is expected to be relatively certain, default in payment of rent by any of the lessees of the properties, variances in the costs of operating the New Stapled Entity, and variances in returns from other investments held or made by the New Stapled Entity, may affect the level of income available for distribution as well as the timing of distributions.

## **Taxation treatment of Stapled Units may change**

Investors should be aware that changes in Australian taxation law (including changes in interpretation or application of the law by the courts or taxation authorities in Australia) may materially affect the taxation treatment of an investment in Stapled Units, the holding or disposal of Stapled Units or the treatment of distributions and the financial performance, financial position, cash flows, distributions, growth prospects and the quoted price of Stapled Units.

## **6.5 General investment risks**

### **Economy and market conditions**

There is the risk that changes in economic and market conditions may affect asset returns and values and may decrease the Stapled Unit price. The overall performance of Stapled Units may be affected by changing economic or property market conditions. These may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies.

### **Insurance**

Any losses incurred due to uninsured risks may adversely affect the performance of the New Stapled Entity. Increases in insurance premiums may also affect the performance of the New Stapled Entity. Insurance premium increases could occur if the New Stapled Entity claims under any insurance policy for significant losses. Any failure by the company or companies providing insurance (or reinsurance) may adversely affect the ability of the New Stapled Entity to make claims under its insurance. All insurance policies have a minimum excess.

### **Litigation**

In the ordinary course of operations, the New Stapled Entity or the responsible entity may be involved in disputes and possible litigation. These include disputes, environmental and occupational health and safety claims, industrial disputes, native title claims, and any legal claims or third party losses. It is possible that a material or costly dispute or litigation could affect the value of the assets or expected income of the New Stapled Entity.

### **Legal and regulatory matters**

There is the risk that changes in any law, regulation or government policy affecting the operations of the New Stapled Entity (which may or may not have a retrospective effect) will have an effect on the investment portfolio and/or the performance of the New Stapled Entity. This may include changes to taxation regimes.

### **Forward looking statements**

There can be no guarantee that the assumptions and contingencies on which the forward looking statements, opinions and estimates are based will ultimately prove to be valid or accurate. The forward looking statements, opinions and estimates depend on various factors, many of which are outside the control of the responsible entity.

## 7. Financial Information

---

The financial information contained in this section comprises:

**Historical Statements of Financial Position**, comprising:

- Audited Statutory Statement of Financial Position as at 30 June 2014; and
- Pro forma Statement of Financial Position as at 30 June 2014

(herein referred to as the “**Historical Statements of Financial Position**”). See Section 7.2 for further information.

**Forecast Financial Information**, comprising:

- Forecast Statement of Financial Performance for the 12 months ending 30 June 2015; and
- Forecast Operating Earnings and Distribution Statement for the 12 months ending 30 June 2015

(herein referred to as the “**Forecast Financial Information**”). See Section 7.3 for further information.

(together the Historical Statements of Financial Position and Forecast Financial Information are referred to as the “**Financial Information**”).

Grant Thornton Corporate Finance Pty Ltd, the Investigating Accountant, has undertaken a limited assurance engagement (“Investigating Accountants Report”) on the Financial Information in accordance with the Australian Standard on Assurance Engagements ASAE 3450, “Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information”. The Investigating Accountants Report is contained in Annexure B. Investors should note the scope and limitations of this report.

### 7.1 Basis of preparation and presentation of the Financial Information

The Pro Forma Statement of Financial Position has been prepared on the basis that the Proposed Transaction occurred on 30 June 2014, which differs from the Forecast Financial Information which assumes the Proposed Transaction is settled in October 2014 in line with the key dates set out in this Explanatory Memorandum. This has been done to present the Proposed Transaction in the Pro Forma Statement of Financial Position based on the most recently publicly available general purpose financial statements of the Fund.

### 7.2 Pro Forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position has been derived from the Audited Statutory Statement of Financial Position as at 30 June 2014 adjusted for:

- (a) The issue of the A Class Units and the recognition of a distribution payable associated to those units;
- (b) Restructure of the Fund under the Proposed Transaction including:
  - (i) The issue of New Stapled Units in consideration for existing Fund Units at a ratio of 1:100; and
  - (ii) a Fundraising of the minimum amount of \$10.0 million at the minimum price of \$1.15 (being the minimum price);

Further details of the adjustments have been included in the footnotes to the Historical Statements of Financial Position below.

The Historical Statements of Financial Position are provided for illustrative purposes only and are not represented as being indicative of the responsible entity's view on the Fund's/New Stapled Entity's likely financial position at the date of the Proposed Transaction.

For comparison purposes, the FY13 statement of financial position has been included below.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30 Jun 13	30 Jun 14	Adjustment	Pro Forma 30 Jun 14	Adjustment	Pro Forma 30 Jun 14
\$ millions				Fund		New Stapled Entity
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	0.3	0.3		0.3		0.3
Trade and other receivables	0.1	0.2		0.2		0.2
Total current assets	0.5	0.5		0.5		0.5
<b>NON-CURRENT ASSETS</b>						
Investment properties	32.8	28.3		28.3		28.3
Total non-current assets	32.8	28.3		28.3		28.3
<b>TOTAL ASSETS</b>	<b>33.2</b>	<b>28.8</b>		<b>28.8</b>		<b>28.8</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	0.4	0.4		0.4		0.4
Total current liabilities	0.4	0.4		0.4		0.4
<b>NON-CURRENT LIABILITIES</b>						
Interest bearing liabilities	21.3	16.1		16.1	9.2 (ii)	6.9
Accrued A Class Unit distribution payable	0.0	0.0	2.3 (i)	2.3		2.3
Total non-current liabilities	21.3	16.1		18.4		9.2
<b>TOTAL LIABILITIES</b>	<b>21.7</b>	<b>16.5</b>		<b>18.8</b>		<b>9.6</b>
<b>NET ASSETS</b>	<b>11.5</b>	<b>12.3</b>		<b>10.0</b>		<b>19.2</b>
<b>EQUITY</b>						
Contributed equity	32.5	32.5		32.5	9.2 (iii)	41.7
Unallocated losses	-20.9	-20.2	-2.3 (i)	-22.5		-22.5
<b>TOTAL UNITHOLDERS' EQUITY</b>	<b>11.5</b>	<b>12.3</b>		<b>10.0</b>		<b>19.2</b>
Units on issue (million)	767.9	767.9		767.9	-751.5 (iv)	16.4
NTA per unit (cpu)	0.02	0.02		0.01		1.18
Notional consolidation of the Fund 1:100	1.50	1.59		1.30		

- (i) Following approval of the proposed transaction, A class units will be issued pro rata to existing unitholders on the record date fixed for that purpose. The terms of the A class units will entitle those unitholders to the net proceeds on sale of the Frenchs Forest Assets, resulting from the existing contract for sale, above the Independent Valuation of \$26 million, i.e. the book value of the properties (\$28.25 million less the independent valuation of \$26 million, net of \$2.25 million). See Section 3.11 for further details.
- (ii) Repayment of debt with the net proceeds of the Fundraising.
- (iii) Capital raised under the Fundraising less transaction costs.
- (iv) Issue of New Stapled Units in consideration for existing units in the Fund at a ratio of 1:100 (767.9 million units becomes 7.7 million units); Issue of units under the Fundraising.

## 7.4 Statement of Financial Performance

The forecast statement of financial performance has been prepared for the 12 months ending 30 June 2015. The information has been based on the assumptions as detailed in Section 7.4 and 7.5 below.

The Forecast Period is for the period from 1 July 2014 to 30 June 2015.

For comparison purposes, the FY13 and FY14 statement of financial performance has been included below.

Statement of Financial Performance	FY13 (\$ millions)	FY14 (\$ millions)	Forecast FY15 (\$ millions)
Property Rental	3.8	3.8	4.0
Outgoings	-0.6	-0.6	-0.6
Net Property Income	3.2	3.2	3.4
Fund Operating Expenses	-0.3	-0.4	-0.3
Earnings before interest and tax (EBIT)	2.9	2.8	3.1
Financing Expense			
Net Interest Expense	-1.5	-1.1	-0.6
Fair value of investment property	-0.2	-1.0	
Statutory Net Income	1.2	0.7	2.5
<b>Forecast Operating Earnings and Distribution Statement</b>			
Statutory Net Income (\$ million)	1.2	0.7	2.5
Adjustments (\$ million)	0.2	1.0	0.0
Operating Earnings (\$ million)	1.4	1.7	2.5
Units on Issue (million)	767.9	767.9	16.4 (i)
Statutory Net Income per unit (cents)	0.18	0.22	15.33
Distribution (\$ million)	0.0	0.0	2.4
Units on Issue (million)			16.4
Distribution per Unit (cents)			14.50
Payout Ratio			95%

- (i) Issue of New Stapled Units in consideration for existing units in the Fund at a ratio of 1:100 (767.9 million units becomes 7.7 million units); Issue of units under the Fundraising

## 7.6 Assumptions

The Forecast Financial Information is based on best estimate assumptions as set out below and in Section 7.5.

### Key Assumptions

- The Proposed Transaction is completed as per the timetable as set out in this Explanatory Memorandum;
- \$10.0 million of capital is raised under the Fundraising at a minimum issue price per Stapled Unit of \$1.15 with the net proceeds of the Fundraising being used to reduce the amount of drawn debt
- No further fundraising in the Forecast Period;
- No further acquisition in the Forecast Period;
- No material contract disputes or litigation in the Forecast Period;
- No material change in the competitive operating environment;
- No material changes to accounting policies of Corporations Act in the Forecast Period;
- No material changes in Australian income tax legislation;
- No significant change to legislative or regulatory environment;
- All existing leases are enforceable and perform in accordance with their terms;
- The Fund has enough working capital to carry out its stated objectives; and
- There will be no underlying movement in the fair value of investment properties or other financial assets, as the directors do not believe such movements can be reliably forecast.

## 7.7 Specific assumptions

### Rental Income

Rental income has been forecast based on existing leases and assumptions for future occupancy rates, tenant turnover and market rentals

### Outgoings

Outgoings have been forecast on a property by property basis with regard to the current outgoings of each property. Outgoings are forecast to increase in line with existing service contracts where fixed or at an annual CPI rate assumed to be 3.0%.

### Other expenses

The New Stapled Entity will incur operating expenses including ASX listing fees, registry fees, custodian fees, legal, audit and tax compliance fees, investor reporting costs, valuation fees and other miscellaneous expenses. These costs have been forecast by taking into account factors likely to influence the level of these expenses, including the New Stapled Entity's estimated market capitalisation and gross asset value.

### Finance costs

The New Stapled Entity is forecast to incur an average effective interest rate of 5.55% (inclusive of margin). This assumption is based on the current interest rate charged to the Fund inclusive of margin, and does not forecast any change in interest rate during the Forecast Period.

### Fair value of investment property

The fair value of investment properties is assumed to remain constant over the Forecast Period (ie there is no forecast gain/loss on investment property) as the directors of the New RE believe they cannot reliably predict changes in fair value over the Forecast Period.

Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without prejudice.

## Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the New Stapled Entity, the New RE and its directors and management.

Set out below is a summary of the sensitivity of forecast operating earnings to certain changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis is not intended to be indicative of the complete range or variations that may be experienced.

	\$m	cpu
Statutory Net Income	2.51	15.33
Capital raise of \$15 million	0.16	-2.43
Increase in assumed interest rate +0.25%	-0.03	-0.15

## 7.8 Significant accounting policies

The preparation of the Financial Information requires estimates, judgments and assumptions that affect the reported amounts of gross revenues, gross expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected. The significant accounting policies outlined below apply estimates, judgments and assumptions which could materially affect the financial results or financial position reported in future periods.

The significant accounting policies are based upon those disclosed in the 30 June 2014 audited statutory general purpose financial statements of the Fund. Policies are consistent with the requirements of the Australian Accounting Standards and International Financial Reporting Standards.

### Principles of consolidation

The Financial Information incorporates the assets and liabilities of all subsidiaries of the Fund and the results of those subsidiaries. A subsidiary is any entity over which the Fund has the power to control the financial and operating policies so as to obtain benefits from its activities. All subsidiaries have a 30 June balance date. All inter-entity balances and transactions between entities in the Fund, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies adopted by the Fund.

### Property rental income

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has fixed annual increases, the total rent receivable in respect of the lease is recognised as revenue on a straight-line basis over the lease term. Lease incentives provided by the Fund to lessees are included in the measurement of fair value of investment property. The amounts are recognised on a straight line basis over the lease periods as reductions in rental income. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including CPI linked rental increases, are only recognised when contractually due.

All income is stated net of the amount of GST.

### Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risk and rewards of ownership.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of profit or loss within income or expenses in the period in which they arise. Dividend/distribution income from financial assets at fair value through profit and loss is recognised in the statement of profit or loss as part of revenue from continuing operations when the Fund's right to receive payments is established.

## Investment properties

Investment property is property which is held to earn rental income, or for capital appreciation, or for both. Investment properties are initially recognised on acquisition at cost (including capitalised property acquisition costs) and then carried at fair value determined either by the Directors of the Responsible Entity or independent valuers. Investment properties are not depreciated and any gains or losses on the sale of investment properties are recognised in the changes to fair value included in the profit or loss. The carrying amount of investment properties includes components relating to lease incentives, leasing costs and receivables on rental income that have been recorded on a straight-line basis.

Property purchases are recognised when the Fund has entered into unconditional purchase contracts, and the majority of the significant risks and rewards of ownership have been transferred to the Fund. Property disposals are recorded when the Fund has entered into unconditional sales contracts, and the majority of the significant risks and rewards of ownership have been transferred to the buyer. Transfers of risks and rewards vary depending on the individual terms of the contracts.

The fair value of investment properties in the Fund as at 30 June 2014 has been determined by directors of the Current RE based on the Independent Valuation with reference to the conditional contract of sale of a maximum price of \$32.0 million.

## Accrued A Class Unit distribution payable

A Class unitholders will be entitled to any amount in excess of the Independent Valuation of \$26.0 million resulting from the sale of the Frenchs Forest Assets under the existing contract for sale. The accrued A Class Unit distribution payable reflects the excess of the book value of the investment properties over the Independent Valuation at any reporting date. See Section 3.11 for more details on the A Class Units.

## Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. They are classified as current assets except where the maturity is greater than 12 months after the balance date in which case they are classified as non-current.

Amounts not recoverable are assessed at each reporting date. Indicators that an amount is not recoverable include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. Any allowances for non-recoverable receivables are recognised in a separate allowance account. Any bad debts which have previously been provided for are eliminated against the allowance account. In all other cases bad debts are written off directly to the profit or loss.

## Trade and other payables

These represent liabilities for goods and services provided to the Fund prior to the balance date which are unpaid. Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

Management Fee liabilities will accrue when payable and are typically payable quarterly in arrears.

Gains or losses on liabilities through re-measurement or de-recognition, including where they are waived or forgiven, are recognised in the income statement.

## Issued Units

The Fund issues Ordinary Units which are classified as equity in accordance with AASB 132: Financial Instruments: Presentation.

Should the terms or conditions of the Ordinary Units change such that they no longer comply with the criteria for classification as equity under AASB 132, the Units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Ordinary Units on issue are recognised at the fair value of the consideration received by the Fund less directly attributable issue costs.



**Borrowings**

Interest-bearing loans and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

**Finance costs**

Finance costs are recognised using the effective interest rate applicable to the financial liability.

**Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

**Income tax**

Under current legislation the New Passive Fund is not liable for income tax provided Unitholders are presently entitled to the income of the Fund each income year.

The New Active Fund will be a trading trust and will pay tax on income from its activities. As a result of its status as a trading trust, holders of New Active Fund units will receive after-tax, franked distributions.

**7.9 Working Capital Statement**

The Fund has sufficient working capital to carry out its stated objectives particularly having regard to its budgeted revenue and low level of gearing at 23.1%.

## 8. Fees and other costs

---

### 8.1 Overview

The Corporations Act requires the New RE to include the following standard consumer advisory warning. The information in the consumer advisory warning is standard across all product disclosure statements and is not specific to information on fees and costs in the New Stapled Entity.

#### Consumer Advisory Warning

##### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$ 80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

##### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities & Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

### 8.2 Fees and other costs

This section shows fees and other costs that you may be charged as a holder of units in the New Stapled Entity. These fees and costs will be deducted from the New Stapled Entity's monies prior to distribution of income to holders of Stapled Units unless specified otherwise. There is therefore no separate payment required in relation to any of the fees and costs listed below.

Information regarding tax is set out in Section 9.

Except as otherwise stated, the fees and costs set out below show the net effect of GST i.e. inclusive of 10% GST less any input tax credits, including reduced input tax credits.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

A further description of the fees and costs outlined in the table below is provided in Section 8.4.

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
Establishment fee The fee to open your investment.	Nil	There is no establishment fee.
Contribution fee The fee on each amount contributed to your investment.	Nil	There is no contribution fee.
Withdrawal fee The fee on each amount you take out of your	Nil	There is no withdrawal fee.
Transfer fee The fee to transfer an investment to an existing Member or third party.	Nil	There is no transfer fee.
Termination fee The fee to close your investment.	Nil	There is no termination fee.
<b>Ongoing Management Fees and other costs</b>		
Ongoing management costs A fee for the management and operation of the Fund <sup>1</sup> .	1.16% p.a. of the gross asset value of the assets of the New Stapled Entity comprising:  Management Fee of 0.65% p.a. of the gross asset value during the relevant year plus expenses relating to the proper performance of the New RE's duties in connection with the New Stapled Entity estimated to be approximately 0.51% p.a. of the gross asset value of the Fund <sup>2</sup> .	The Management Fee is payable quarterly in arrears.  Ongoing expenses are reimbursable to the New RE from the New Stapled Entity's assets when incurred from time to time.
<b>Service fees</b>		
Switching Fee The fee charged on switching from one investment type to another	Nil	There is no switching fee
Performance Fee	Performance fee of 20% of any pre-tax total unitholder return in excess of 12% p.a.  Total unitholder return comprises: - income return from distributions; and - capital return from increases in the value of New Stapled Units during the financial year.	The Performance Fee is payable yearly in arrears.

### 8.3 Example of annual fees and costs

The following table shows a breakdown of estimated ongoing Management Fees and costs for the 12 month period ending 30 June 2015. You should use these tables to compare this product with other managed investment products.

Example	%	Amount attributable to an investment of \$50,000 in the Fund plus contributions of \$5,000 during the year
Contribution Fee	Nil	Nil
Management Costs comprising the Management Fee and estimated fund costs and expenses	1.16% p.a. of the gross assets of the Fund	For every \$50,000 you have invested you will be charged \$843 <sup>2</sup> each year
Equals cost of New Stapled Entity		If you had an investment of \$50,000 at the beginning of the year and you invested an additional \$5,000 at the beginning of the year, you would be charged fees and expenses of \$928 for that year.

1. This table assumes that a total of \$50,000 is invested under the Fundraising (i.e. to acquire 43,478 units at \$1.15 each). If you were to invest \$50,000 in units subsequent to the Fundraising, the amount of fees applicable to that investment may differ from the amounts set out in this table if more or less than 43,478 units are acquired. This table also assumes that the additional \$5,000 contribution is used to acquire units at \$1.15 each. There is no guarantee that units will be able to be acquired for \$1.15 subsequent to the Fundraising.
2. This amount has been estimated based on the Funds expected costs of managing the Fund, and the expected gross asset value on completion of the Proposed Transaction and Fundraising. This is an estimate only and it is likely that both the expenses and the gross asset value will change over time.

### 8.4 Additional explanation of fees and costs

#### (a) Management costs

The management costs in the table above are the fees and costs paid for general administration of the New Stapled Entity and comprise Management Fees and an estimate of all other expenses recoverable by the New RE.

#### (b) Management Fees

The New RE is entitled to a Management Fee of 0.65% p.a. of the gross value of the assets of the New Stapled Entity during the relevant year for its role in managing and administering the New Stapled Entity.

#### (c) Expense recoveries

The New RE is entitled to recover all expenses properly incurred in managing and administering the New Stapled Entity, including in relation to the following:

- costs incurred by the New RE in accordance with the Constitution;
- compliance committee costs;
- audit fees;
- legal fees;
- independent consultant report preparation fees;
- asset custody expenses; and
- bank fees, government fees and taxes.

The New RE estimates that the Fund will incur expenses of approximately 1.16% of the gross asset value of the Fund per annum. This estimate has been included in the tables set out in Sections 9.1 and 9.2 above.

**(d) Acquisition fee**

The Responsible Entity will be entitled to an acquisition fee of up to 1.0% of the total purchase price of an investment of the New Stapled Entity.

**(e) Disposal fee**

The Responsible Entity will be entitled to a disposal fee of up to 1.0% of the total sale price of an investment sold by the New Stapled Entity.

Professional services fees

If the New RE or any of its associates provides additional services to the New Stapled Entity in a professional capacity, it will also be entitled to receive fees for providing these services in accordance with the terms of the Constitution. These fees will be charged on an arms' length basis in accordance with the market rates for those services at the relevant time.

**(f) GST**

Unless otherwise stated, all fees in this section of the PDS are inclusive of GST and reduced input tax credits. Where the New Stapled Entity is entitled to input tax credit or reduced input tax credit under the GST legislation for GST paid in respect of the services provided to it, the cost to the New Stapled Entity of paying GST will be reduced proportionally. For additional information in relation to the taxation implications of an investment in the New Stapled Entity please see Section 9.

**8.5 Fees and costs associated with the Transaction**

Underwriting and Offer management fees and costs	\$0.4 million
Advisers' and consultants' fees	\$0.3 million

Whilst an underwriting agreement has not been signed at the date of this Circular, the New RE has had discussions with two professional and reputable underwriters and has received a fee proposal of 3.8% on which the table above is based. Using the underwriting fees the New RE has paid in the past as a benchmark, the New RE believes that the fee proposal is appropriate for the Proposed Transaction.

In the event the Fundraising proceeds without an underwriting agreement in place, these fees may be lower.

**8.6 Other Expenses**

The New Stapled Entity will enter into agreements with third parties (which may include 360 Capital or wholly owned subsidiaries) to provide property management and other services to the New Stapled Entity from time to time. All such arrangements will be entered into on arm's length terms. Under these agreements, certain fees and expenses may be paid from the assets of the New Stapled Entity to 360 Capital. These amounts are not included in the above tables as 'management costs' as they are of a kind that would typically be incurred if investors acquired the relevant investments directly and not through the New Stapled Entity.

## 9. Taxation

---

### 9.1 Overview

The following is a general discussion on the key Australian taxation issues arising as a direct result of the acquisition of the Ordinary Units in the Fund by the New Stapled Entity and the issue of the A Class Units in the Fund under the Proposed Transaction. The information is provided in relation to Australian resident individual Unitholders who hold Ordinary Units in the Fund on capital account for income tax purposes. The information does not apply to Australian resident Unitholders who hold their Ordinary Units in the Fund on revenue account or as trading stock and does not apply to foreign resident Unitholders.

The discussion is based on Australian taxation laws, announcements and practices currently operative at the date of this Circular. The discussion is general in nature and is not intended to cover all of the potential taxation consequences that could arise for any particular Unitholder. Tax law is complicated and tax outcomes rely heavily on the facts and circumstances of each party involved. As such, this discussion should not be relied on and Unitholders should obtain independent professional advice on their own situation concerning the taxation consequences of their investment. The following tax discussion is based on a considered view of the operation of the tax law as it applies based on the facts and circumstances known at the time of the publication of this Circular.

### 9.2 Acquisition of the Ordinary Units in the Fund by the New Stapled Entity

It is proposed that the New Stapled Entity acquire all of the Ordinary Units in the Fund in exchange for the issue of units in the New Passive Fund, which will be stapled to units in the New Active Fund.

#### (a) Disposal of Ordinary Units

The disposal of the Ordinary Units will trigger a capital gains tax ("CGT") event for the Unitholders. Consequently, the Unitholders will:

- make a capital gain if the capital proceeds are greater than the cost base of the Ordinary Units in the Fund; or
- make a capital loss if the capital proceeds are less than the reduced cost base of the Ordinary Units in the Fund.

The time of the CGT event will be the date when the beneficial ownership of the Ordinary Units is transferred to the New Stapled Entity.

#### *Capital proceeds*

For the purpose of calculating your capital gain or loss, the capital proceeds will be equal to the market value of the units in the New Stapled Entity.

#### *Cost base*

A Unitholder's cost base / reduced cost base in an Ordinary Unit will include the amount paid by the Unitholder to acquire the Ordinary Unit, plus any capital costs connected with the acquisition and/or disposal of the Ordinary Unit.

A Unitholder's cost base will be reduced to the extent that the Unitholder has received a distribution from the Fund in respect of its Ordinary Units that is tax deferred income. Tax deferred income will generally include any distributions not included in the Unitholder's assessable income other than where the non-assessable amount:

- is attributable to a discounted capital gain made by the Fund; or
- is exempt income.

#### *Disposal of Ordinary Units acquired before 20 September 1985 (i.e. pre-CGT)*

Any capital gain or capital loss made with regards to Ordinary Units that were acquired before 20 September 1985 should be disregarded.

(c) **Acquisition of Units in the New Stapled Entity**

*Cost base*

A Stapled Unit in the New Stapled Entity will constitute an asset for CGT purposes. At the time of acquisition, a Unitholder's cost base in a Stapled Unit will include the amount paid by the Unitholder to acquire the Stapled Unit, plus any capital costs connected with the acquisition.

As the Unitholders will provide one Ordinary Unit in the Fund as consideration for acquiring one Stapled Unit, the first element of cost base / reduced cost base of the Units in the New Stapled Entity will be the market value of the relevant Ordinary Units at the time they are transferred to the New Stapled Entity.

(d) **Scrip for scrip rollover**

Unitholders may be able to elect scrip for scrip rollover if the requirements in Subdivision 124-M of the *Income Tax Assessment Act 1997* are satisfied. If rollover is available and chosen, the CGT consequences of disposing of the Ordinary Units in the Fund and the cost base obtained in the Stapled Units in the New Stapled Entity will be different.

It is recommended that Unitholders obtain independent professional advice on the availability of scrip for scrip rollover and the consequences of choosing rollover.

It is noted that unless scrip for scrip rollover is available, the Stapled Units in the New Stapled Entity that will be received by Unitholders in exchange for transferring their Ordinary Units in the Fund that were acquired before 20 September 1985 will be treated as post CGT assets.

(e) **Distributions from the New Stapled Entity**

Refer to Section 2.4 of this Circular.

(f) **GST**

No GST is payable in respect of the disposal of the Ordinary Units.

### 9.3 Issue of the A Class Units in the Fund

If the Proposed Transaction is implemented, Unitholders will be issued A Class Units after execution of a Supplemental Deed to give effect to necessary changes to the Constitution.

(a) **Execution of the Supplemental Deed**

The execution of the Supplemental Deed that sets out the terms of the issue of the A Class Units should not constitute a resettlement of the Fund within the meaning established in case law. On this basis there should be no capital gains tax event arising to Unitholders or the Fund from this step.

(b) **Taxation on Issue of A Class Units**

The issue of the A Class Units should not be assessable. Further, a CGT event and/or a stamp duty liability should not arise to Unitholders at that time.

(c) **Cost Base of A Class Units**

The A Class units should have no cost base and should be post-CGT assets.



## 10. Additional Information

### 10.1 Directors of Current RE, Directors of New RE and participants in the Proposed Transaction, and their respective interest in the outcome of the Resolutions – voting exclusions

In order to clearly identify the respective interests of the various participants in the Proposed Transaction, set out below is a list of the relevant participants, their interests and, as applicable, which of them will be precluded from voting on the Resolutions:

Name	Nature of their current interests and interest in the Proposed Transaction	Is the party excluded from voting on a Resolution?
Vanda Gould	<ul style="list-style-type: none"> <li>• Chairman and executive director of the Current RE.</li> <li>• Is associated with Melbourne Corporation of Australia Pty Ltd which currently directly holds 11,718,750 Ordinary Units, and will be issued A Class Units as part of the Proposed Transaction.</li> <li>• Is associated with South Seas Holdings Pty Ltd which currently holds 9,487,500 Ordinary Units and will be issued A Class Units as part of the Proposed Transaction.</li> <li>• Is a director of CVC Limited which currently holds 654,677,949 Ordinary Units, will be issued with Stapled Units under the Trust Scheme and will be issued A Class Units as part of the Proposed Transaction.</li> <li>• Is a director of CVC Mezzanine Finance Pty Ltd which currently holds 35,562,500 Ordinary Units and will be issued 355,625 A Class Units as part of the Proposed Transaction.</li> <li>• <b><i>Has no interest in the 360 Capital Group.</i></b></li> </ul>	Yes, All Resolutions
Alexander Beard	<ul style="list-style-type: none"> <li>• Executive director of the Current RE.</li> <li>• Currently holds 625,000 Ordinary Units as trustee for the AD &amp; MP Beard Super Fund and will be issued A Class Units as part of the Proposed Transaction.</li> <li>• Marie Pascale Beard has an interest in 625,000 Ordinary Units and will be issued 6,250 A Class Units as part of the Proposed Transaction.</li> <li>• Is a director of CVC Limited which currently holds 654,677,949 Ordinary Units and will be issued A Class Units as part of the Proposed Transaction.</li> <li>• Is a director of CVC Mezzanine Finance Pty Ltd which currently holds 35,562,500 Ordinary Units and will be issued 355,625 A Class Units as part of the Proposed Transaction.</li> <li>• <b><i>Has no interest in the 360 Capital Group.</i></b></li> </ul>	Yes, All Resolutions
Kim McGrath	<ul style="list-style-type: none"> <li>• Non-executive director of the Current RE.</li> <li>• Does not currently hold any Ordinary Units.</li> <li>• <b><i>Has no interest in the 360 Capital.</i></b></li> </ul>	No

360 Capital	<ul style="list-style-type: none"> <li>• Does not currently hold any Ordinary Units.</li> <li>• <b>As part of implementation of the Proposed Transaction:</b> <ul style="list-style-type: none"> <li>○ <b>360 Capital Investment Management Limited will be appointed the new responsible entity of the Fund;</b></li> <li>○ <b>the 360 Capital Group will acquire \$5.0 million worth of Ordinary Units from the CVC Group; and</b></li> </ul> </li> <li>• <b>The 360 Capital Group is not a related party of and is not acting in concert with the CVC Group.</b></li> </ul>	Not eligible to vote as will not hold Ordinary Units at the time of the Meeting
David van Aanholt	<ul style="list-style-type: none"> <li>• Independent chairman of New RE.</li> <li>• Does not currently hold any Ordinary Units.</li> <li>• <b>Will not be issued any Ordinary Units as a result of the Proposed Transaction.</b></li> </ul>	Not eligible to vote as will not hold Ordinary Units at the time of the Meeting
Tony Pitt	<ul style="list-style-type: none"> <li>• Managing director of New RE.</li> <li>• Does not currently hold any Ordinary Units.</li> <li>• <b>Will not be issued any Ordinary Units as a result of the Proposed Transaction.</b></li> </ul>	Not eligible to vote as will not hold Ordinary Units at the time of the Meeting
Andrew Moffat	<ul style="list-style-type: none"> <li>• Independent director of New RE.</li> <li>• Does not currently hold any Ordinary Units.</li> <li>• <b>Will not be issued any Ordinary Units as a result of the Proposed Transaction.</b></li> </ul>	Not eligible to vote as will not hold Ordinary Units at the time of the Meeting
John Ballhausen	<ul style="list-style-type: none"> <li>• Independent director of New RE.</li> <li>• Does not currently hold any Ordinary Units.</li> <li>• <b>Will not be issued any Ordinary Units as a result of the Proposed Transaction.</b></li> </ul>	Not eligible to vote as will not hold Ordinary Units at the time of the Meeting
Graham Lenzner	<ul style="list-style-type: none"> <li>• Independent director of New RE.</li> <li>• Does not currently hold any Ordinary Units.</li> <li>• <b>Will not be issued any Ordinary Units as a result of the Proposed Transaction.</b></li> </ul>	Not eligible to vote as will not hold Ordinary Units at the time of the Meeting

## 10.2 Summary of the Trust Deeds of the New Stapled Entity

The New Passive Fund (**NPF**) and the New Active Fund (**NAF**) are each a managed investment scheme registered by ASIC in accordance with Chapter 5C of the Corporations Act. Each has been established in the form of a unit trust. The responsible entity (**RE**) of each of the NPF and of the NAF is the New RE. The main rules governing each of the NPF and the NAF are set out in its individual constitution as amended from time to time. The Corporations Act, exemptions and declarations given by ASIC and the general law of trusts are also relevant to the rights and obligations of the RE and unitholders and affect the way the constitutions are interpreted. If the NPF and NAF are each admitted to the official list of ASX as the New Stapled Entity then the Listing Rules of ASX will apply (subject to waivers).

Units issued by the NPF will be stapled to units issued by the NAF. This means that the unitholders of each fund will be the same and hold the same number of units in each fund. The constitution of the NPF applies in relation to units issued by NPF and the obligations of its RE and the constitution of the NAF applies in relation to its units and its RE. However, both constitutions have stapling provisions and these provisions and the provisions of a Stapling Agreement apply to co-ordinate the governance of each fund and the issue (including pricing), transfer, redemption, buy back and restructure of the units of each fund.

The following is an outline of the main terms of the constitution of NPF. The terms of the NAF constitution are the same so that the description below also applies in relation to NAF. Each fund is separate but functionally joined through stapling.

- (a) **(Responsible entity)**: The assets of the trust fund are vested in the RE who holds them on trust for unitholders. The RE may have one or more assets held by a custodian on behalf of the RE. Subject to the constitution, the RE has all the powers in respect of the NPF that it is possible under law to confer on the RE, as though it were the absolute owner of the assets of the NPF, including powers to borrow or raise money, to incur all types of obligations and liabilities, and to invest in, dispose of or otherwise deal with property and rights in its absolute discretion.
- (b) **(Holders of units)**: The beneficial interest in the NPF is divided into units. A unit confers an interest in the assets of the NPF as a whole, not in any individual asset. An NPF unitholder holds a unit subject to the rights, restrictions and obligations attaching to the unit. The RE may issue fractional units except if the units are officially quoted. If fractions of units are on issue at the time the NPF is to be listed, the RE may cancel the fractions with effect from the date of listing. As noted in Section 3.2, fractions of Stapled Units will be issued on implementation of the Trust Scheme but these will be cancelled on admission of the New Stapled Entity to the official list of ASX. Units may be consolidated or divided as determined by the RE, provided that while the units of the NPF are stapled, then the NPF unit and the other stapled unit must be consolidated or divided to the same extent at the same time. Ownership of a unit is evidenced by entry into a register of Members.
- (c) **(Transfers of units)**: The NPF units may be transferred subject to the following:
  - (i) If NPF units are not officially quoted:
    - (A) transfers must be in a form approved by the RE;
    - (B) the RE may refuse to register a transfer without giving reasons, except to or by a financier with a security interest in favour of the financier and under that security interest;
    - (C) if a unitholders' agreement is in place, the transferee must sign the unitholders agreement before the transfer is recorded;
  - (ii) If the units are officially quoted they are transferable:
    - (D) as provided in the operating rules of the clearing and settlement facility; or
    - (E) by any other method of transfer required or permitted by the Corporations Act or ASX;
  - (iii) If the units are officially quoted and if permitted by the Listing Rules, the RE may request the application of a holding lock to prevent a registration of a transfer of units to which a holding lock applies;
  - (iv) If the Corporations Act or Listing Rules require the RE to do so or a transfer is in breach of the requirements for escrow of restricted securities, the RE must request the application of a holding lock to prevent a registration of a transfer of units to which a holding lock applies;
  - (v) Each unit will be stapled to a unit in the NAF. Together, these will constitute a "stapled security". The units comprising a stapled security may only be transferred together under a single instrument of transfer, so that the unitholder will also hold units in NAF in the same proportion as they hold units in NPF. Similarly, a reorganisation proposal in respect of NPF units cannot be implemented unless there is a corresponding reorganisation of the units in the NAF. A holding lock may not be requested by the RE unless the RE in its capacity as RE of NAF also makes a corresponding request in relation to the stapled security.

- (d) **(Issue of units):** The constitution and the Corporations Act (as amended by ASIC class orders) regulate the price at which units can be issued. Generally when units are stapled the application price of the stapled unit is the aggregate of the application price of each unit which is stapled. The application price under the Fundraising and the Trust Scheme are specifically provided for in the constitution. When units are listed as part of a stapled security the price should be the average market price subject to the Listing Rules, ASIC relief and particular pricing in circumstances provided in the constitution (for example, a proportional offer to unitholders).

An aggregate price for stapled units is allocated as between the stapled units. The RE in its capacity as RE of NPF and as RE of NAF must agree to what part of the issue, buy back or redemption price of a Stapled Unit is to represent the price of a unit in NPF and a unit in NAF, respectively. Unless otherwise agreed, the ratio of allocation is the ratio that the net assets (adjusted for net market value of investments) of the NPF and NAF bear to each other.

The RE may issue NPF units at below market value by way of a proportional offer (including a rights issue) without unitholder approval pursuant to offers made to all unitholders of Stapled Units, if:

- (i) the issue price of the stapled securities is not less than 50% of their market value;
- (ii) all unitholders are offered units at the same price on a pro-rata basis.

The RE may at any time, while NPF is listed on the ASX, issue units in NPF by way of a placement at the average market price or at a price and on terms determined by the RE, provided that while stapling applies, the offer is accompanied by a corresponding offer of NAF units at the same time and the offer of both units must be accepted.

For both a proportional offer and placement, the RE must comply with the Listing Rules and the applicable ASIC relief.

Units may be issued as fully paid or partly paid. While stapling applies, partly paid units may only be issued if corresponding partly paid units are issued by NAF, and the ratio between the unpaid portion of the NPF units and the NAF units are equivalent. If the unpaid portion of the unit is not paid in accordance with the term of issue of the units, the RE may co-operate with the RE of NAF to dispose the units concerned on the basis contemplated in the constitutions.

- (e) **(Distribution):** Each unitholder will receive a distribution of income (and other amounts deemed distributable by the RE) in proportion that the total amount paid up on their unitholding represents of the paid up amount of all unitholdings. The distribution entitlement will be calculated at the end of each financial year, or at the end of any other period determined by the RE and will be paid within 60 days of that calculation date.
- (f) **(Redemption of Holdings Trust Units):** Unless NPF is both an unlisted and unregistered managed investment scheme the redemption price per fully paid unit is its net asset value less transaction costs. The redemption price of a partly paid unit is determined in proportion to the amount paid up. While NPF is not listed, the RE may redeem NPF units if requested by a unitholder at its discretion, subject to the Corporations Act.

If NPF is not "liquid" (whether or not it is listed), a unitholder may withdraw from NPF pursuant to any withdrawal offer made by the RE as provided by the Corporations Act. The RE is not obliged to make a withdrawal offer.

While units are officially quoted, the RE may, subject to the Corporations Act and the Listing Rules, purchase units on the ASX and cause them to be cancelled.

While stapling applies, the RE may not redeem or buy back an NPF unit unless the RE as responsible entity of the NAF also redeems or buys back the corresponding stapled NAF unit.

- (h) **(Unstapling of NPF units)**: Subject to the Corporations Act and the Listing Rules while the NPF units are quoted on the ASX, the RE may determine that they be unstapled provided:
- (i) ASX has indicated it will permit the unstapling and the continued listing of the units;
  - (ii) unitholders of NPF and NAF have approved the unstapling by ordinary resolution; and
  - (iii) the RE of each of NPF and NAF agree to the unstapling and that it is not contrary to the interests of investors.
- (i) **(Register)**: A single stapled securities register will be maintained by the RE which records details of all stapled securities.
- (j) **(Limitation of Liability)**: The liability of the RE is limited. Except where otherwise required by the Corporations Act:
- (i) the RE is not liable to a holder of NPF units for loss suffered in any way relating to the NPF; and
  - (ii) the RE's liability to any person other than a holder of NPF units in relation to NPF is limited to the amount for which it is indemnified out of the trust fund.
- Liability of unitholders is expressed to be limited to the amount unpaid on units issued to them.
- (k) **(Indemnity)**: The RE will be indemnified out of the assets of the NPF on a full indemnity basis, to the full extent permitted by law, for all losses or liabilities incurred by it in properly performing its duties and for the acts/omissions of its delegates and agents. This indemnity continues after the RE retires or is removed from office.
- (l) **(RE remuneration)**: The RE will be remunerated in accordance with the constitution. The RE is entitled to receive from the trust fund in relation to the proper performance of its duties (GST exclusive):
- (i) a management fee equal to one twelfth of 0.65% of the Gross Asset Value (aggregate Market Value of the assets of NPF) calculated at the end of the previous month and payable on the first Business Day of each month but such amount will not be less than the lower of \$12,500 per month and one twelfth of 1.625% of the Gross Asset Value at the end of the previous month;
  - (ii) an annual performance fee calculated in very general terms as 20% of total unitholder pre-tax return in excess of a 12% per annum "hurdle". Total unitholder return comprises:
    - distributions to unitholders; and
    - market capitalisation of Stapled Units.

The "hurdle" is in general terms a 12% increase in the market capitalisation of Stapled Units, including new issues during the relevant determination period and taking account of redemptions;
  - (iii) an acquisition fee of 1% of the total purchase price of an acquisition by the NPF of any investment located or introduced by the RE;
  - (iv) an asset disposal fee of up to 1% of the total sale price;
  - (v) reimbursement out of the assets of NPF of all expenses incurred by the RE in relation to the proper performance of its duties in respect of the NPF to the extent the reimbursement is not prohibited by the Corporations Act.

The RE may accept a lower fee than it is entitled to receive or defer any payment for any period.

- (m) **(Termination and Winding up):** The NPF terminates on the earliest to occur of:
- (i) while a registered managed investment scheme:
    - (A) a date the unitholders fix by extraordinary resolution (at least 50% of the total votes that may be cast by unitholders entitled to vote on the resolution); or
    - (B) a date determined by the RE and advised to unitholders not less than 60 days before the proposed termination date;
  - (ii) while the NPF is not a registered managed investment scheme, the date specified by the RE in a notice to unitholders; and
  - (iii) the date on which the NPF otherwise terminates in accordance with the constitution or the law.

The commencement of the winding up of NPF or its stapled entity (NAF) is an unstapling event requiring the RE to determine that units in NPF be unstapled.

On the winding up, the RE must distribute the net proceeds after realisation of all the assets of NPF and payment of all liabilities and costs to the unitholders pro rata to the number of fully paid units they hold plus the number obtained by multiplying the number of partly paid units held by the proportion to which they are paid up.

- (n) **(Small holdings):** While the NPF is listed on the ASX, the RE may sell or redeem any units which comprise less than a marketable parcel as provided by the Listing Rules without request by the unitholder once in any 12 month period. The RE must give the unitholder 6 weeks written notice of its intention to sell/redeem the units. During this period the unitholder may inform the RE that they wish to retain the units. While stapling applies, the RE may not sell/redeem NPF units unless the same number of NAF units are sold or redeemed.
- (o) **(Meetings):** The RE may at any time convene a meeting of NPF unitholders and must do so if required by the Corporations Act. Notices of meetings must be given in accordance with the Corporations Act. A quorum for a meeting of NPF unitholders is at least 2 unitholders present in person or proxy who are entitled to vote. The provisions of the Corporations Act governing proxies or voting of members of registered managed schemes apply to the NPF. Subject to the Corporations Act and any provision of the constitution requiring a different majority, decisions are made by way of a simple majority of votes on the resolution. Resolutions are binding on all unitholders, whether or not they were present at the meeting. While stapling applies, meetings of unitholders of NPF may be held in conjunction with meetings of unitholders of the other stapled entity (NAF).
- (p) **(Retirement of Manager):** The RE may retire as responsible entity of the NPF as permitted by law and must do so when required by law. When it retires or is removed, the RE is released from all obligations in relation to the NPF arising after the time it retires or is removed.
- (q) **(Amendments to the Constitution):** Amendments to the constitution require approval by members by a majority of not less than 75% unless the responsible entity considers that the change will not adversely affect members' rights, in which case amendments may be made by the responsible entity alone. Amendments do not take effect until a copy of the amendments is lodged with ASIC.
- (r) **(Restricted securities):** Restricted securities cannot be disposed of during an escrow period except as permitted by the Listing Rules or the ASX.

### 10.3 Summary of the Stapling Deed

Each of the constitution of NPF and NAF contain stapling provisions which bind unitholders of each fund and the relevant RE and apply whenever units in the relevant fund are stapled. Similar provisions are included in a Stapling Deed which binds the New RE in its capacity as RE of the NPF and the New RE in its capacity as RE of NAF. Therefore in combination all relevant parties agree to the stapling requirements.



The stapling provisions principally co-ordinate dealings in stapled securities including re-organisation, issue, disposal, redemption, buy back, unstapling and operation of a single register for Stapled Units. The operation of these provisions has been averted to in the description of the constitutions above. The Stapling Deed also includes agreement between the REs to co-operate and co-ordinate, including in relation to governance, disclosures to ASIC, ASX and unitholders, accounting and valuation policies, valuations, meetings, announcement and payment of dividends, any distribution re-investment plans and corporate acts like issues, placement, redemptions and buy backs.

The Stapling Deed includes "group" cost incurring and re-imbusement and contemplates cross lending between funds. Each RE must give notice to and consult with the other in relation to their intention to buy or sell assets valued at or above 5% of net tangible assets of the acquiring/disposing fund. Similarly neither fund will borrow or raise money except following consultation. A borrowing may be undertaken jointly even though one fund receives the proceeds. In such case, the fund receiving the proceeds indemnifies the joint borrower in respect of repayment of the loan.

Each RE agrees that while stapling continues each will provide financial assistance to each other (provided it is the interests of the stapled funds unitholders as a whole) including providing financial accommodation and guarantees and entering into joint borrowings.

Each RE agrees that while stapling continues, subject to the Corporations Act and Listing Rules and any applicable relief, to exercise their powers and discretions in the interests of the unitholders of the stapled funds as a whole and not only in the interests of the holders of units in their relevant fund.

#### 10.4 Material Contracts

##### (a) Unit Sale and Purchase Agreement

CVC Limited has entered into a conditional agreement to sell to 360 Capital Property some of its Ordinary Units to the value of \$5 million.

The price of each Ordinary Unit will be determined as 100<sup>th</sup> of the price at which Stapled Units are offered under the Fundraising (which price will not be less than \$1.15). The number of Ordinary Units to be acquired will be determined by dividing the price per Ordinary Unit into \$5 million. For example, if the offer price under the Fundraising is \$1.15 the price per Ordinary Unit under the CVC Acquisition will be 1.15c because of the Ordinary Unit / Stapled Unit exchange ratio under the Trust Scheme which is 1 Stapled Unit for every 100 Ordinary Units. In this example the number of Ordinary Units to be acquired by 360 Capital Property Limited would be 434,782,609.

The sale of the Ordinary Units will be completed prior to implementation of the Trust Scheme. This will mean that 360 Capital Property will hold 56.6% of the Ordinary Units on the record date for the Trust Scheme.

The obligation of CVC Limited to sell the Ordinary Units to 360 Capital Property is conditional on satisfaction of the Fundraising Condition and the approval by Unitholders of Resolutions 1 to 6.

##### (b) Supplemental Deed

The Supplemental Deed sets out the changes to the Constitution required for the Trust Scheme and the A Class Units.

The responsible entity of the Fund (Current RE) will execute the Supplemental Deed to effect the changes to the Constitution providing for the Trust Scheme and the A Class Units following satisfaction of the Fundraising Condition and the passing of Resolutions 1 to 6.

The terms of the A Class Units to be included in the Constitution are described in Section 3.11.

A summary of the terms included in the Constitution to provide for the Trust Scheme are as follows:

The terms of the Trust Scheme bind all Unitholders by reference to the Ordinary Units in respect of which they are registered as at the Scheme Record Date. Such Ordinary Units will be transferred to the responsible entity of the New Stapled Entity (the **New RE**) on the Implementation Date. The responsible entity of the Fund (the **Current RE**) will execute and deliver transfers of the Ordinary Units on behalf of Unitholders as the attorney of such Unitholders appointed under the new terms included in the Constitution.

Each Unitholder warrants to the Current RE (who receives the warranties as the responsible entity of the Fund and for the benefit of the New RE as the responsible entity of the New Stapled Entity)



that their Ordinary Units are fully paid and free from all mortgages, charges, liens, encumbrances and third party interests and that the Unitholder has full powers and capacity to sell and transfer their Ordinary Units at the Implementation Date.

(c) **Deed Poll**

The responsible entity of the New Stapled Entity (the **New RE**) has executed a Deed Poll in favour of Unitholders of the Fund as at the Scheme Record Date (**Scheme Unitholders**). The Deed Poll is an undertaking by the New RE to provide the consideration under the Trust Scheme to those Scheme Unitholders.

The New RE undertakes that it will do all things required to implement the Trust Scheme including, on the Implementation Date:

- (i) to acquire all the Ordinary Units in the Fund which are not already registered in its name; and
- (ii) in consideration for such transfer, to cause the issue to each Scheme Unitholder of one unit in the New Passive Fund to be stapled to one unit in the New Active Fund for every 100 Ordinary Units they hold as at the Scheme Record Date with fractional amounts being issued.

The New RE warrants for the benefit of Scheme Unitholders that it is a validly existing corporation, that the Deed Poll is properly authorised and constitutes legal, valid and binding obligations of the New RE. The New RE gives the Deed Poll as responsible entity of the New Stapled Fund and its liabilities are limited to such amount as it is indemnified for under the Constitution of the New Stapled Entity.

(d) **Deed of Retirement and Appointment of Responsible Entity**

The Deed of Retirement and Appointment of Responsible Entity has been entered into between the current RE and the New RE and becomes binding only if and when Resolutions 1 to 6 have been passed and the Fundraising Condition has been satisfied (**Condition**). When the Condition has been satisfied the Current RE must lodge a notice with ASIC in relation to its retirement as responsible entity of the Fund and the Appointment of the New RE in its place in accordance with Resolution 1. The retirement and replacement is effective on ASIC registering these changes (**Effective Time**).

The retiring Current RE and the replacement New RE give reciprocal indemnities to be paid from the Fund in respect of liabilities incurred in the proper conduct of the Fund in their responsible entity roles.

The current RE is released from its obligations and liabilities under the Constitution and in connection with the Fund on and from the Effective Time, provided it would have been entitled to indemnification in respect of them if they arose prior to the Effective Time. The Current RE is entitled to receive its remuneration and expenses under the Constitution up to and including the Effective Time. This will be paid within 90 days of the Effective Time.

The New RE represents and warrants to the Current RE that it has all the necessary licences and authorisations to permit it to act as responsible entity of the Fund.

## 10.5 Responsibility for information in this Circular

Other than in respect of the information identified below, the information contained in the remainder of this Circular has been prepared jointly by, and is the joint responsibility of CVC Group and 360 Capital.

Sections 2.2, 3.1, 4, and 6.2 have been prepared by CVC Group and its advisers and are the sole responsibility of CVC Group.

Sections 2.3 – 2.10, 5, 6.3, 7, 8, 11 have been prepared by 360 Capital Group and its advisers and are the sole responsibility of 360 Capital Group.

Lonergan Edwards has prepared the Independent Expert's Report in relation to the Proposed Transaction in Annexure A and takes responsibility for that Annexure.

Grant Thornton, the Investigating Accountant has prepared the matters in Annexure B and takes responsibility for that Annexure.

## 11. Corporate Governance Policies

---

### 11.1 New Stapled Entity Governance

If the Fundraising condition is satisfied and the Proposed Transaction is completed, the New Stapled Entity should be admitted to the official list of the ASX. At the date of this Circular, the New RE has no reason to believe that admission to the official list of the ASX will not be achieved. Accordingly, the following corporate governance principles have been prepared on this basis.

### 11.2 ASX Corporate Governance Council's Corporate Governance Principles

The Board of the New RE recognises the importance of strong corporate governance and is committed to high standards of compliance. This will be achieved through the Board of the New RE determining appropriate governance arrangements for itself and for the New Stapled Entity and continually monitoring those arrangements.

To the extent they are applicable and appropriate for an entity of the size and nature of the New Stapled Entity, the New RE has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edn).

In accordance with ASX Listing Rule 4.10.3, the extent to which the New Stapled Entity has sought to comply with the ASX Corporate Governance Council's eight principles of good corporate governance recommendations for each are to be included in the New Stapled Entity's annual report which is available on ASX and the New Stapled Entity's website.

Further details of the New RE's corporate governance regime and a corporate governance statement can be found on the New Stapled Entity's website.

### 11.3 Compliance Plan

The New Stapled Entity has adopted a compliance plan which identifies its key compliance obligations and the measures necessary to address them. The compliance plan will be audited annually by the New Stapled Entity's auditor, Ernst & Young, in accordance with the provisions of the Corporations Act. The compliance plan is the document which outlines the systems, measures and procedures that have been adopted by the New RE to enable it to comply with the provisions of the Corporations Act, ASIC policy and the Constitution. It deals with a range of issues including compliance monitoring by the Board which meets periodically to oversee the New RE's compliance activities. Matters covered in detail in the compliance plan include procedures for complaints handling, the processing of applications, transfers and distributions, the monitoring and resolution of suspected breaches of the Corporations Act, accounts and record keeping, valuations, registry systems, audits, related party transactions, conflicts of interest and disclosure reporting requirements.

### 11.4 Compliance Committee

As more than half of the Directors of the Board of the New RE are independent external directors, there is no legal requirement to have a compliance committee. Provision is made in the ordinary meeting agendas for the Board to consider critical compliance and risk management issues as they arise. Standard compliance and risk management reporting to the Board occurs on a quarterly basis in the second month following each quarter.

## 11.6 Conflicts Policy

Actual or potential conflicts and related party matters will be considered by the Board of the New RE in accordance with the New RE's Conflicts Policy. The Conflicts Policy addresses conflicts of interest, including:

- dealings with related parties;
- any proposal to acquire investments for the Fund or dispose of investments of the Fund, where any counterparty having a direct or indirect interest in the applicable property is either:
  - a related body corporate of any 360 Capital entity or any director of a 360 Capital entity or their associates; or
  - any fund or account managed by a related body corporate of a 360 Capital entity; and
- any agreements between the Fund and a 360 Capital entity.

## 11.7 New Stapled Entity Valuation Policy

360 Capital has a framework in place for the valuation of all investment properties and assets it manages as set out in the Valuation Policy adopted by the Board of the New RE. The policy outlines the process of how 360 Capital determines the fair market value of these assets.

Investment properties are generally carried at their fair market value in accordance with applicable accounting standards. Independent external valuations of direct property investments are obtained once in a 24 month period or earlier if an internal valuation differs materially from the current carrying value of a property. A formal selection process applies with an approved panel of valuers. The panel of valuers must meet pre-determined criteria required by the New RE. A rotation policy is embedded into the valuation process. As such, an external valuer may undertake the valuation on a property no more than three consecutive times after which a new external valuer must be appointed. Properties that are part of a portfolio of assets may be staggered throughout the 24 month period so as long as each property is externally valued once.

At each reporting period an internal valuation (New RE's valuation) will be performed. To the extent that an external valuation has been undertaken, reliance can be placed on that valuation, however the New RE must consider all inputs into that valuation and confirm whether they are still appropriate and valid. A Property purchased within the most current financial year can be valued either externally or via a New RE's valuation.

## 11.8 Ethical considerations

The New Stapled Entity does not take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or realising the New Stapled Entity's investments. However, sometimes these matters may indirectly affect the economic factors upon which investment decisions are based.

## 11.9 Anti-money laundering and Counter-terrorism financing

Notwithstanding any other provision of this Explanatory Memorandum, each Unitholder agrees to provide any information and documents reasonably requested by the New RE to comply with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and any other applicable anti-money laundering or counter-terrorism financing laws of any country including, without limitation, any applicable laws imposing "know your customer" or other identification checks or procedures to which the New RE is subject pursuant to the laws of any country in respect of the Fund (AML/CTF Laws).

If the New RE forms the view that, in its reasonable opinion, it is required to disclose information, to any person in order to comply with its obligations under the AML/CTF Laws, to the extent permitted by law, each Unitholder agrees that such disclosure will not be a breach of any obligation or duty, whether such obligation or duty is imposed by contract or law, owed by that party to any other responsible entity or Unitholder, and that party will be released from any claim made against them in respect of such disclosure.

### 11.11 Customer service and complaints

The New RE is committed to striving for excellence in relation to its products and services and wants to ensure that it responds to customers' concerns as quickly and efficiently as possible. Despite its best endeavours, the New RE realises that complaints will occur from time to time and, to this end, has in place comprehensive complaints resolution processes to ensure they are resolved with minimum inconvenience to all parties. If you have a complaint, please contact the New RE on 1800 182 257 (free call from within Australia) or +61 2 9290 9600 (from outside Australia) or email [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au).

We will either try to resolve your complaint or put you in contact with someone who is better placed to resolve the complaint. If you are not satisfied with the response you receive or if you wish to submit a written complaint, you may write to us at:

The Complaints Officer  
360 Capital Investment Management Limited  
GPO Box 5483  
Sydney NSW 2001

Please provide the detail and reason for your complaint and we will attempt to resolve the matter and respond within 45 days of receipt. If you are dissatisfied with our response, you may raise the matter directly with the Financial Ombudsman Service (FOS). Its contact details are:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001

Telephone: 1300 780 808 (within Australia) or  
+61 3 9613 7366 (from outside Australia)  
Fax: +61 3 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

Please note that a complaint must have gone through the New RE's complaints handling process before it will be considered by FOS.

### 11.12 Privacy and use of personal information

You do not need to give us any personal information requested in the proxy form or in any other document or communication relating to the products or services we supply you. However, without this information, we may not be able to process your vote or provide you with an appropriate level of service.

By completing the proxy form, you agree to us:

- collecting, holding and using your personal information to process your Application as well as administering and managing the New Stapled Entity. This includes monitoring, auditing and evaluating the New Stapled Entity, modelling data, testing data, communicating with you and dealing with any complaints or enquiries;
- providing your personal information to other entities in the 360 Capital as well as to external service providers situated in Australia or offshore, which provide services in connection with the New Stapled Entity provided they agree to treat your information in accordance with the Privacy Act 1988 (Cth) (Privacy Act). These may include for example, mail houses or professional advisers;
- using your personal information to offer products or services that may be of interest to you unless you request us not to (including for the purposes of the Spam Act 2003 (Cth), via commercial emails);
- supplying your financial adviser with information about your investment, if a financial adviser's stamp appears on an Application Form or there is evidence of their status; and
- disclosing your personal information to other parties if we believe that the law requires or permits us to do so, or to any person proposing to acquire an interest in our business, provided they agree to treat your information in accordance with the Privacy Act.

Other entities in the 360 Capital may use your personal information to offer products or services that may be of interest to you unless you request us not to allow this. Should you not wish to receive this information, please email [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au).

We will not sell your personal information to other organisations to enable them to offer products or services to you.

Information you provide in an Application Form is collated by Boardroom Pty Limited as the Fund's Registry provider. The Registry's Privacy Policy can be viewed on its website [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

Under the Privacy Act, you may request access to any of your personal information that we hold. You can contact us to make a request relating to the privacy of your personal information by contacting:

The Privacy Officer  
360 Capital Investment Management Limited  
GPO Box 5483  
Sydney NSW 2001

A copy of the 360 Capital's Privacy Policy can be found at [www.360capital.com.au](http://www.360capital.com.au)

## 12. Disclaimers and regulatory matters

### 12.1 Disclaimer as to forward looking statements

In preparing this Circular, the Current RE has relied on documents, information and representations (including historical financial information and projected financial information) provided or made by 360 Capital. 360 Capital has consented to the use of those documents, information and representations for the purposes of this Circular.

In addition to the historical information that is contained in this Circular, some of the statements appearing in this Circular may be in the nature of forward looking statements. While care has been taken to ensure the reasonableness of such statements, Unitholders should be aware that such statements are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries that both the Fund and the 360 Capital Group operate in as well as general economic conditions. Actual events or results may differ materially.

### 12.2 Disclaimer as to information in this Circular

The historical information is derived from sources believed to be accurate at the date of this Circular. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinion or conclusion contained in this Circular. To the maximum extent permitted by law, neither the Current RE nor any of its directors, officers, employees, agents, advisers or intermediaries, nor any other person accept any liability for any loss arising from the use of this Circular or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence on their part.

### 12.3 ASIC Waivers

ASIC has consented to grant the following relief:

- (a) exemption of the New RE, in its capacity as responsible entity of the New Stapled Entity, from the:
  - (i) disclosure obligations in terms of Chapter 7 of the Corporations Act in relation to the issue of Stapled Units to the holders of Ordinary Units under the Trust Scheme and A Class Units under the Proposed Transaction, subject to the issue of this Circular;
  - (ii) restrictions on off market offers constituted by the Trust Scheme, subject to issue of this Circular; and
  - (iii) requirement for lodgement of the notice of replacement of the responsible entity within two days of the passing of the relevant resolution on the basis it is lodged within two days of the last to occur of the passing of Resolutions 1 to 6 and satisfaction of the Fundraising Condition.

ASIC has granted the following relief:

- (b) a modification of Section 611 item 7 of the Corporation Act so that all Unitholders (other than the Current RE and associates who are not acting under instructions as nominees or custodians for third party beneficiaries) may vote on Resolution 5 in relation to the acquisition of Units.

ASIC has also consented to grant the following relief:

- (c) an exemption in accordance with Section 601QA(1) of the Corporations Act from compliance with part 5C.7 to enable the New Active Fund to provide financial benefits to the New Passive Fund and its controlled entities, and vice versa, and for the management of investments on a group basis rather than having to consider the separate trust components of the Stapled Entity;
- (d) a modification to Section 601FC(1)(c) and Section 601FD(1)(c) to enable the New RE to consider the interests of all holders of Stapled Units in the New Stapled Entity rather than merely the interests of either the unitholders in the New Active Fund or the New Passive Fund; and
- (e) a modification of Section 601GA(1)(a) to enable the issue price of the units in the New Active Fund and the New Passive Fund to be determined by the New RE based on the market price of the Stapled Units with the issue price being allocated between the New Active Fund and the New Passive Fund.

## **12.4 Updates to the Proposed Transaction**

The terms of the Proposed Transaction may change from time to time. If the Current RE or the New RE becomes aware of any significant change to the Proposed Transaction or significant new circumstance affecting the Proposed Transaction between the date of issue of this Circular and the date of implementation of the Proposed Transaction (if all Resolutions are passed), the change will be notified to Unitholders as is appropriate, which may include (but is not limited to) publishing information on the Fund website, an announcement on the ASX, an announcement at the Meeting, the issue of a supplement to the Circular or the issue of a supplementary explanatory memorandum.



## 13. Glossary

In this Circular, unless the context or subject matter otherwise requires:

<b>360 Capital</b>	360 Capital Group Limited (ACN 113 569 136).
<b>360 Capital Group</b>	360 Capital and its subsidiaries, funds and associates, including the New RE.
<b>360 Capital Property Limited</b>	360 Capital Property Limited (ACN 146 484 433) or its nominee
<b>A Class Unit</b>	A fully paid A Class unit in the capital of the Fund, to be issued on the terms set out in the Supplemental Deed.
<b>AEDT</b>	Australian Eastern Daylight Time
<b>ASIC</b>	The Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ABN 98 008 624 691).
<b>ASX Listing Rules</b>	The official listing rules of the ASX.
<b>Circular</b>	This document, including all annexures hereto.
<b>Constitution</b>	The constitution of the Fund, as amended from time to time.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth) as amended from time to time.
<b>Current RE</b>	CVC Property Managers Limited (ACN 066 092 028); (AFSL 229809).
<b>CVC Acquisition</b>	Has the meaning given to that term in Section 4.6(a) of the Explanatory Memorandum.
<b>CVC Group</b>	CVC Limited and CVC Mezzanine Finance Pty Ltd (ACN 110 359 692).
<b>CVC Limited</b>	CVC Limited (ACN 002 700 361)
<b>Explanatory Memorandum</b>	The explanatory memorandum contained in this Circular.
<b>Forecast Period</b>	1 July 2014 to 30 June 2015
<b>Foreign Unitholder</b>	A Unitholder whose address as shown in the Register is a place outside Australia and its external territories.
<b>Frenchs Forest Assets</b>	The properties located at 8 Rodborough Road, Frenchs Forest NSW and 357-373 Warringah Road, Frenchs Forest NSW.
<b>Fund or CJT</b>	CVC Property Fund (ARSN 107 276 184) (proposed to be renamed 360 Capital Total Return Sub Fund), and where the context so requires, includes the Fund as restructured.
<b>Fundraising</b>	The raising of new capital for the New Stapled Entity as described in Section 2.6
<b>Fundraising Condition</b>	in conjunction with receipt by or on behalf of the New RE of valid applications under the Fundraising for Stapled Units at an issue price of not less than \$1.15 per Stapled Unit with an aggregate face value of not less than \$10 million, ASX notifies the new RE that the requirements of Chapters 1 and 2 as applicable to the admission to the official list of ASX of the New Passive Fund and the New Active Fund as the New Stapled Entity and the quotation of the Stapled Units, have been satisfied.
<b>Fundraising PDS</b>	Product Disclosure Statement lodged with ASIC for the purposes of the Fundraising.
<b>Implementation Date</b>	The date for implementation of the Trust Scheme being 13 March 2015 or such other date determined by the Current RE
<b>Independent Director(s)</b>	In relation to each Resolution, those directors of the Current RE who are not excluded from voting on that Resolution, as set out in Section 4.2.

<b>Independent Expert</b>	Lonergan Edwards & Associates Limited.
<b>Independent Expert's Report</b>	The report set out in Annexure A.
<b>Independent Valuation</b>	Independent property valuation of: <ul style="list-style-type: none"> <li>• 357-373 Warringah Road, Frenchs Forest NSW</li> <li>• 8 Rodborough Road, Frenchs Forest NSW</li> </ul> Dated 21 January 2014
<b>LVR</b>	loan to value ratio
<b>Meeting</b>	The extraordinary general meeting of Unitholders to be held at the time and place specified in the Notice of General Meeting.
<b>Meeting Record Date</b>	19 January 2015
<b>New Active Fund</b>	360 Capital Total Return Active Fund ARSN 602 303 613
<b>New Passive Fund</b>	360 Capital Total Return Passive Fund ARSN 602 304 432
<b>New RE</b>	360 Capital Investment Management Limited (ACN 133 363 185) (AFSL 340304).
<b>New Stapled Entity</b>	The entity formed by the stapling of the New Active Fund to the New Passive Fund.
<b>New Stapled Entity Group</b>	The New Stapled Entity and its sub-funds including the Fund
<b>Non-Associated Unitholders</b>	Those Unitholders who are not associated with the 360 Capital Group or the CVC Group.
<b>Notice of Meeting</b>	The notice of general meeting of the Fund contained in annexure E hereto.
<b>NTA</b>	net tangible assets
<b>Ordinary Units</b>	A fully paid ordinary unit in the capital of the Fund (all units on issue at the date of this Circular are Ordinary Units).
<b>Proposed Transaction</b>	Has the meaning given to that term in the Independent Directors Letter, and as described in Section 3.2.
<b>Register</b>	The register of Unitholders of the Fund.
<b>Resolution</b>	A resolution set out in the notice of general meeting forming part of the Circular.
<b>Scheme Record Date</b>	11 March 2015
<b>Stapled Unit</b>	A stapled unit which comprises of a unit in the New Active Fund and a unit in the New Passive Fund.
<b>Stapling Deed</b>	The stapling deed between New Active Fund and New Passive Fund
<b>Supplemental Deed</b>	The "Supplemental Deed – CVC Property Fund" set out in Annexure B.
<b>Trust Scheme</b>	Has the meaning given to that term in Section 3.6 of the Explanatory Memorandum.
<b>Trading Cessation Date</b>	21 January 2015
<b>Unitholder</b>	Holder of Ordinary Units.
<b>Unitholding</b>	Holding of Ordinary Units.

**ANNEXURE A: INDEPENDENT EXPERT'S REPORT**

See over page.

# LONERGAN EDWARDS & ASSOCIATES LIMITED

ABN 53 095 445 560  
AFS Licence No 246532  
Level 27, 363 George Street  
Sydney NSW 2000 Australia  
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500  
Facsimile: [61 2] 8235 7550  
www.lonerganedwards.com.au

The Independent Director  
CVC Property Managers Limited  
1 Alfred Street  
Sydney NSW 2000

3 November 2014

**Subject: Proposed Transaction with 360 Capital**

Dear Director

## Introduction

- 1 On 4 February 2014, CVC Limited (CVC) entered into a conditional contract to sell the responsible entity (RE) of the CVC Property Fund (the Fund), being CVC Property Managers Limited (CVC Property Managers), to 360 Capital Group Limited (360 Capital), subject to the completion of a strategic review to the satisfaction of both parties.
- 2 On 26 August 2014, the Fund announced the completion of the strategic review and a number of related proposals. These proposals have subsequently been further advanced and are collectively referred to in this report as the Proposed Transaction<sup>1</sup>. Pursuant to the Proposed Transaction, 360 Capital proposes to:
  - (a) acquire existing units in the Fund from CVC to a value of \$5.0 million
  - (b) change the RE of the Fund to 360 Capital Investment Management Limited (360 CIML)
  - (c) change the investment mandate of the Fund in accordance with the strategic review
  - (d) preserve the potential gain on fair value of the Frenchs Forest Assets<sup>2</sup> held by the Fund for the benefit of existing unitholders in the Fund by way of the issue of new A Class Units in the Fund (refer to paragraph 46)
  - (e) establish a New Stapled Entity comprising a New Passive Fund and a New Active Fund
  - (f) have the New Stapled Entity acquire all the existing ordinary units in the Fund, the consideration to comprise the issue to unitholders of units in the New Stapled Entity
  - (g) undertake a capital raising of new units in the New Stapled Entity, to raise a minimum of \$10.0 million at a minimum issue price of \$1.15 per unit
  - (h) list the New Stapled Entity on the Australian Securities Exchange (ASX)
  - (i) delist the Fund from the ASX.
- 3 The effect of the above on unitholders in the Fund is that if the Proposed Transaction proceeds their existing interest in the Fund will be exchanged for a pro-rata interest in the New Stapled Entity<sup>3</sup>. They will also receive a new A Class Unit in the Fund in respect of the potential gain on the Frenchs Forest Assets.

---

<sup>1</sup> The acquisition of CVC Property Managers by 360 Capital no longer forms part of the Proposed Transaction.

<sup>2</sup> Being 357-373 Warringah Road, Frenchs Forest, New South Wales (NSW) and 8 Rodborough Road, Frenchs Forest, NSW (the Frenchs Forest Assets).

<sup>3</sup> For the purpose of our report, we have referred to the Fund in respect of matters prior to the Proposed Transaction and to the New Stapled Entity in respect of matters subsequent to the Proposed Transaction.

- 4 The Proposed Transaction is subject to a number of conditions precedent (including the proposed capital raise) and is to be effected by means of a number of inter-conditional resolutions. If approved by existing non-associated unitholders of the Fund, the Proposed Transaction will significantly alter the nature and scale of the Fund's activities<sup>4</sup>. As set out in the following table, the Proposed Transaction will also significantly change the ownership interests in the Fund:

The Fund – Illustrative impact on ownership				
	Pre-transaction <sup>(1)</sup>		Post transaction <sup>(2)</sup>	
	000s	%	000s	%
CVC <sup>(3)</sup>	690,240	89.9	2,555	15.6
<b>360 Capital (and associates)<sup>(3)</sup></b>	-	-	4,348	26.6
<b>Non-associated unitholders:</b>				
Existing <sup>(4)</sup>	77,610	10.1	776	4.7
New investors <sup>(5)</sup>	-	-	8,696	53.1
<b>Total</b>	767,850	100.0	16,374	100.0

**Note:**

- 1 Pursuant to the Proposed Transaction, existing units are effectively consolidated on the basis of one for 100.
- 2 Assumes transactions in respect of existing and new stapled units are effected at a unit price of \$1.15.
- 3 360 Capital to acquire \$5.0 million of existing units from CVC.
- 4 Assumes existing non-associated unitholders do not take up rights under the proposed capital raise.
- 5 New stapled units issued to new investors under the proposed capital raise of a minimum of \$10.0 million.

### Corporate background

- 5 The Fund is an ASX listed property investment and development fund, with two properties located at Frenchs Forest (which are collectively, the subject of a conditional contract for sale). CVC is the current owner of the RE to the Fund, CVC Property Managers, and is also the majority unitholder in the Fund with an interest of 89.9%.
- 6 360 Capital is an ASX listed real estate investment and funds management group. It currently manages eight investment vehicles holding 30 industrial, office, and retail assets across Australia valued at more than \$1.0 billion on behalf of almost 10,000 investors and also holds over \$126.0 million in co-investments across the 360 Capital platform. The 360 Capital senior management team has an average of almost 20 years' of experience across the Australian real estate and funds management sectors.

### Purpose of report

- 7 Should the Proposed Transaction proceed, 360 Capital and its associates will acquire a relevant interest in excess of 20% of the existing units in the Fund as a result of the proposed acquisition of \$5.0 million of existing units from CVC (based upon an assumed transaction price of \$1.15 per unit on a pro-forma one for 100 consolidation basis).
- 8 Given the above, there is an implicit regulatory requirement for the Fund to commission an independent expert's report (IER) in relation to the Proposed Transaction. Accordingly, the Independent Director of the Fund has requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of the unitholders of the Fund other than CVC, together with the reasons for this opinion<sup>5</sup>.
- 9 LEA is independent of the Fund, CVC and 360 Capital and has no involvement in the outcome of the Proposed Transaction other than the preparation of this report.

<sup>4</sup> Further detail in respect of the proposed changes in nature and scale of activities is set out in the Notice of Meeting and Explanatory Memorandum, together with Section I of our report.

<sup>5</sup> The scope of our report specifically excludes any opinion on the capital raising to be undertaken by the New Stapled Entity as a component of the Proposed Transaction.

## Summary of opinion

10 LEA has concluded that on balance the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of the non-associated unitholders in the Fund. We have formed this opinion for the following reasons.

### Advantages

- (a) as a component of the Proposed Transaction a significant capital raising by the New Stapled Entity of a minimum of \$10.0 million at a minimum unit price of \$1.15 is to be undertaken. The proposed issue price represents a significant premium to the equivalent (albeit highly illiquid) prices at which the units in the Fund traded prior to the announcement of the proposed change in investment mandate and capital raising
- (b) it is reasonable to assume that subsequent to the Proposed Transaction (at least in the immediate short-term) there will be a listed market for units in the New Stapled Entity that reflects reasonable liquidity and a trading price at, or around the proposed capital raise price of \$1.15 per unit (on a pro-forma one for 100 consolidation basis)
- (c) pursuant to the Proposed Transaction the proposed capital raise provides financial flexibility to enable the New Stapled Entity to undertake identified business opportunities
- (d) in contrast, in the absence of the Proposed Transaction, non-associated unitholders in the Fund are primarily faced with a choice between:
  - (i) retaining their investment until such time (presently scheduled to be around October 2015) as the conditional sale of the Frenchs Forest Assets is able to be completed and the balance of the proceeds (after repayment of the bank debt) is distributed to unitholders (and in the meantime being implicitly subject to an effective single transaction risk and negatively impacted by ongoing Fund corporate costs)
  - (ii) selling their securities on market, the practical difficulties of which include a highly illiquid market and a trading price (if a transaction can be effected) of around \$0.70 per unit<sup>6</sup> (on a pro-forma one for 100 consolidation basis)
- (e) non-associated unitholders seeking to realise their investment in the New Stapled Entity subsequent to the Proposed Transaction will also retain an entitlement (by way of new A Class Units in the Fund) to participate in the extent to which (if any) the sale proceeds of the Frenchs Forest Assets exceed \$26.0 million. The conditional contracted price of these properties is up to \$32.0 million.

### Disadvantages

- (f) pursuant to the Proposed Transaction, existing non-associated unitholders in the Fund will have their aggregate interest diluted from 10.1% to around 5%, subject to the extent to which this dilution is minimised by the participation of existing non-associated unitholders in the proposed capital raising. Such unitholders will however continue to be invested in a fund which is substantially controlled by the largest unitholder.
- (g) existing non-associated unitholders in the Fund will also have the underlying value of their interest diluted, given the issue price of new units of \$1.15 under the capital raise represents a discount of 11.5% to our assessed valuation of units in the Fund (on a 100% controlling interest basis) of \$1.30 per unit. The indicated discount however is consistent with the range of observed discounts applicable to large capital raisings.

---

<sup>6</sup> Based upon the closing unit price of \$0.70 per unit as at 25 August 2014. In our opinion, share market trading in the Fund subsequent to this date is likely to have been influenced by the announcement of the proposed change in investment mandate and capital raising. It should be noted that share market trading in units in the Fund also includes the value of participation in any upside on the sale proceeds of the Frenchs Forest Assets exceeding \$26.0 million.

- 11 Furthermore, in our opinion, there is no apparent incentive or benefit for unitholders in the Fund to vote against the Proposed Transaction.

**General**

- 12 In preparing this report we have considered the interests of the non-associated unitholders in the Fund as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual unitholders.
- 13 The impact of approving the Proposed Transaction on the tax position of non-associated unitholders in the Fund depends on the individual circumstances of each investor. Non-associated unitholders in the Fund should read Section 9 of the Notice of Meeting and Explanatory Memorandum and consult their own professional advisers if in doubt as to the taxation consequences of the Proposed Transaction.
- 14 The ultimate decision whether to approve the Proposed Transaction should be based on each non-associated unitholders' assessment of their own circumstances. If any of the non-associated unitholders in the Fund are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, they should seek independent professional advice.
- 15 For our full opinion on the Proposed Transaction and the reasoning behind our opinion, we recommend that non-associated unitholders in the Fund read the remainder of our report.

Yours faithfully



Nathan Toscan  
Authorised Representative



Martin Holt  
Authorised Representative



## Table of contents

Section	Page	
<b>I</b>	<b>The Proposed Transaction</b>	<b>6</b>
	Summary	6
	Conditions	7
<b>II</b>	<b>Scope of our report</b>	<b>8</b>
	Purpose	8
	Basis of assessment	8
	Limitations and reliance on information	9
<b>III</b>	<b>Profile of the Fund</b>	<b>11</b>
	Overview	11
	Current activities	11
	Statement of financial performance	12
	Statement of financial position	13
	Issued securities and ownership	14
	Unit price performance and liquidity	14
<b>IV</b>	<b>Valuation methodology</b>	<b>17</b>
	Valuation methodologies	17
	Methodologies selected	17
<b>V</b>	<b>Valuation of 100% of the Fund</b>	<b>19</b>
	Overview	19
	Property assets	19
	Other assets / (liabilities)	19
	Net debt	19
	Units on issue	19
	Valuation summary	19
<b>VI</b>	<b>Evaluation of the Proposed Transaction</b>	<b>21</b>
	Conclusion	25
	Opinion	26

## Appendices

<b>A</b>	<b>Financial Services Guide</b>
<b>B</b>	<b>Qualifications, declarations and consents</b>
<b>C</b>	<b>Glossary</b>

## **I The Proposed Transaction**

### **Summary**

- 16 On 4 February 2014, CVC entered into a conditional contract to sell the RE of the Fund, being CVC Property Managers, to 360 Capital, subject to the completion of a strategic review to the satisfaction of both parties.
- 17 As part of the strategic review 360 Capital has identified a position in the marketplace for an ASX listed entity to generate income and potential capital gains, as well as trading profits, by taking advantage of opportunities which arise from (but are not limited to):
- (a) repositioning assets, including short-term releasing positions, refurbishment projects etc
  - (b) underwriting potential raisings in the real estate space
  - (c) taking strategic positions in unlisted funds, including providing liquidity to existing unitholders in those funds
  - (d) mispriced trading opportunities within the ASX listed Australian Real Estate Investment Trust (A-REIT) sector
  - (e) participating, in part, or in whole, in merger and acquisition activities within the Australian real estate market
  - (f) participating in special situations which arise from time to time within the Australian real estate market place.
- 18 On 26 August 2014, the Fund announced the completion of the strategic review and a number of related proposals. These proposals have subsequently been further advanced and are collectively referred to in this report as the Proposed Transaction<sup>7</sup>. Pursuant to the Proposed Transaction, 360 Capital proposes to:
- (a) acquire existing units in the Fund from CVC to a value of \$5.0 million
  - (b) change the RE of the Fund to 360 CIML
  - (c) change the investment mandate of the Fund in accordance with the strategic review
  - (d) preserve the potential gain on fair value of the Frenchs Forest Assets<sup>8</sup> held by the Fund for the benefit of existing unitholders in the Fund by way of the issue of new A Class Units in the Fund (refer to paragraph 46)
  - (e) establish a New Stapled Entity comprising a New Passive Fund and a New Active Fund
  - (f) have the New Stapled Entity acquire all the existing ordinary units in the Fund, the consideration to comprise the issue to unitholders of units in the New Stapled Entity
  - (g) delist the Fund from the ASX
  - (h) undertake a capital raising of new units in the New Stapled Entity, to raise a minimum of \$10.0 million at a minimum issue price of \$1.15 per unit
  - (i) list the New Stapled Entity on the ASX.
- 19 The effect of the above on unitholders in the Fund is that if the Proposed Transaction proceeds their existing interest in the Fund will be exchanged for a pro-rata interest in the New Stapled Entity. They will also receive a new A Class Unit in the Fund in respect of the potential gain on the Frenchs Forest Assets.
- 20 If approved by existing non-associated unitholders, the Proposed Transaction will significantly alter the nature and scale of the Fund's activities<sup>9</sup>. As set out in the table at paragraph 0, the Proposed Transaction will also significantly change the ownership interests in the Fund.

<sup>7</sup> The acquisition of CVC Property Managers by 360 Capital no longer forms part of the Proposed Transaction.

<sup>8</sup> Being the Frenchs Forest Assets.

**Conditions**

- 21 The Proposed Transaction is inter-conditional and will therefore only proceed if all the resolutions in respect of the Proposed Transaction components summarised in paragraph 18 above are passed and other conditions precedent (including the proposed capital raise) are met.
- 22 Further detail on the individual aspects of the Proposed Transaction and conditions relating thereto is set out in the Notice of Meeting and Explanatory Memorandum.

---

<sup>9</sup> Further detail in respect of the proposed changes in nature and scale of activities is set out in the Notice of Meeting and Explanatory Memorandum.

## II Scope of our report

### Purpose

- 23 Should the Proposed Transaction proceed, then 360 Capital and its associates will acquire a relevant interest in excess of 20% of the existing units in the Fund as a result of the proposed acquisition of \$5.0 million of existing units from CVC (based upon an assumed transaction price of \$1.15 per unit on a pro-forma one for 100 consolidation basis).

### Acquisition of interest in excess of 20%

- 24 Section 606 of the *Corporations Act 2001 (Cth)* (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in an entity increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in Item 7 of section 611 of the Corporations Act, whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor or any of their respective associates.
- 25 The Corporations Act requires securityholders that are approving a resolution pursuant to this section to be provided with all material information in relation to the proposed transaction. The Australian Securities & Investments Commission (ASIC) requires an entity to commission an expert report or, if it has the expertise, a director's report to the same standard, in order to discharge the information disclosure requirements imposed upon it by the Corporations Act.

### Our engagement

- 26 Given the above, there is an implicit regulatory requirement for the Fund to commission an IER in relation to the Proposed Transaction. Accordingly, the Independent Director of the Fund has requested that LEA prepare an IER stating whether, in our opinion, the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of the unitholders of the Fund other than CVC, together with the reasons for this opinion.
- 27 The scope of our report specifically excludes any opinion on the capital raising to be undertaken by the New Stapled Entity as a component of the Proposed Transaction.
- 28 Our report will accompany the Notice of Meeting and Explanatory Memorandum to be sent by the Fund to its unitholders in conjunction with the Proposed Transaction. LEA is independent of the Fund, CVC and 360 Capital and has no other involvement or interest in the Proposed Transaction other than the preparation of this report.

### Basis of assessment

- 29 In preparing our report, we have given due consideration to the Regulatory Guides issued by ASIC, particularly Regulatory Guide 111 – *Content of expert reports* (RG 111).
- 30 RG 111 provides guidance on how experts should consider reports that have been prepared for the purpose of seeking securityholder approval (under Item 7 of section 611 of the Corporations Act) for a transaction concerning the sale of securities in an entity which gives rise to the acquirer obtaining a relevant interest in the entity of in excess of 20%. In summary, ASIC requires the expert to provide an opinion that either:
- (a) the advantages of the proposal outweigh the disadvantages; or
  - (b) the disadvantages of the proposal outweigh the advantages.
- 31 In forming that opinion, RG 111 specifically requires the expert to consider:
- (a) whether the non-associated securityholders may be foregoing the opportunity to share in a takeover premium by approving the proposal (RG 111.41)
  - (b) the extent to which the vendor is to receive a premium for control (RG 111.43)

- (c) the extent to which further transactions are planned between the entity and the vendor (RG 111.45)
- (d) whether the proposed acquisition, if approved, might deter the making of a takeover bid for the entity (RG 111.46).

32 In addition to the above, we have had regard to:

- (a) the impact the Proposed Transaction will have on the ownership of the Fund, including the extent to which 360 Capital will obtain control
- (b) the price at which units are issued pursuant to the capital raising component of the Proposed Transaction
- (c) the financial position of the Fund (New Stapled Entity) post the Proposed Transaction
- (d) the liquidity of the market in the Fund's units both before and after the Proposed Transaction
- (e) the alternatives available to the Fund and the extent to which CVC sought to obtain a higher price or alternative proposals from other parties with respect to its interest in the Fund
- (f) the relevant position of non-associated unitholders in the Fund pre and post the Proposed Transaction on a like-with-like basis (i.e. minority interest value versus minority interest value)
- (g) other qualitative and strategic issues associated with the Proposed Transaction and the extent to which, on balance, they may advantage or disadvantage existing non-associated unitholders in the Fund if the Proposed Transaction proceeds or is rejected.

### **Limitations and reliance on information**

- 33 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 34 Our report is also based upon financial and other information provided by or on behalf of the Fund and 360 Capital and their respective advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalent to International Financial Reporting Standards (AIFRS). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 35 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 36 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Transaction, rather than a comprehensive audit or investigation of detailed matters.
- 37 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant entities. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 38 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from budgets and forecast with consequential valuation impacts.

39 In forming our opinion, we have also assumed that:

- (a) the information set out in the Notice of Meeting and Explanatory Memorandum is complete, accurate and fairly presented in all material respects
- (b) if the Proposed Transaction becomes legally effective, it will be implemented in accordance with the terms set out in the Notice of Meeting and Explanatory Memorandum.

### III Profile of the Fund

#### Overview

- 40 The Fund is an ASX listed property investment and development group with two investment assets located in NSW, Australia.

#### Current activities

- 41 The Fund currently holds two adjoining properties located in Frenchs Forest, NSW, the Frenchs Forest Assets. In May 2012, the Fund entered into a conditional contract to sell the Frenchs Forest Assets for up to \$32.0 million with settlement on or before 30 June 2014. The contract is subject to a number of pre-conditions including rezoning of the properties. The Fund and the purchaser subsequently agreed to extend the condition date to 1 October 2015 to allow more time to satisfy the pre-conditions.
- 42 On 28 February 2014, the Fund settled the sale of the 1 Narabang Way, Belrose (a development site) for a sale price of \$3.6 million. Proceeds were applied to reduce the outstanding debt facility with National Australia Bank (NAB).
- 43 A summary of the current investment property portfolio is set out below:

CVC Property Fund – Current investment portfolio <sup>(1)</sup>				
Property	Valuation <sup>(2)</sup> \$m	Occupancy <sup>(3)</sup> %	WALE <sup>(4)</sup> Yrs	Cap rate %
357-373 Warringah Road, Frenchs Forest, NSW	14.0	100.0	3.08	10.50
8 Rodborough Road, Frenchs Forest, NSW	12.0	100.0	1.67	10.00
Total / weighted average	26.0	100.0	2.43	10.27 <sup>(5)</sup>

**Note:**

- 1 As at 30 June 2014.
- 2 Based upon external valuations as at 21 January 2014.
- 3 By area.
- 4 (Weighted average lease expiry). By gross income.
- 5 Weighted average cap rate.

**Source:** CVC Property Fund.

- 44 Brief descriptions of the respective properties are as follows (collectively, these properties are known as the Frenchs Forest Assets):
- (a) **357-373 Warringah Road, Frenchs Forest, NSW** – comprises an older style, two storey office building and a single storey warehouse building. The property is located in the Northern Beaches with a total site area of 22,350m<sup>2</sup> and a building area of 8,873m<sup>2</sup>, offering frontage to Warringah Road, Rodborough Road and Allambie Road.
- The whole of the property is currently leased to Australia Post and Infomedia Limited until 28 February 2017. The office building presents in good condition, having been refurbished in the early 2000s. The warehouse presents in average condition commensurate with its age and use as an older style mail sorting and distribution centre.
- The most recent external valuation of 357-373 Warringah Road, Frenchs Forest was performed by Jones Lang LaSalle, Inc (Jones Lang LaSalle) as at 21 January 2014, valuing the property at \$14.0 million
- (b) **8 Rodborough Road, Frenchs Forest, NSW** – a modern, hi-tech property consisting of a high clearance warehouse and three levels of office accommodation located in the Northern Beaches. The property comprises a total site area of 10,029m<sup>2</sup> and a building area of 8,065m<sup>2</sup>.



The whole of the property is currently leased to Ricoh Australia Pty Limited until 30 September 2015. The office and warehouse components present in good to excellent condition commensurate with the building's age (constructed in 1998), size and use.

The most recent external valuation of 8 Rodborough Road, Frenchs Forest was also performed by Jones Lang LaSalle as at 21 January 2014, valuing the property at \$12.0 million.

### Conditional contract for sale

- 45 The Fund entered into a conditional contract of sale of the Frenchs Forest Assets on 24 May 2012 for a sale price of up to \$32.0 million. The contract is conditional upon a number of pre-conditions, including rezoning, and therefore, there is potential that the sale will not complete.
- 46 We note that the abovementioned conditional sale prices exceed the combined value of the independent property valuations (refer to paragraph 43). This potential upside is preserved for the benefit of the existing unitholders of the Fund. This will be achieved through the issue to existing unitholders of a different class of units (A Class Units) which entitles those unitholders to the net proceeds on sale of the Frenchs Forest Assets, resulting from the existing contract for sale, above the current independent valuation of \$26.0 million. The A Class Units will have a term of two years.

### Responsible entity and custodian

- 47 The RE of the Fund is CVC Property Managers. On 4 February 2014, 360 Capital and CVC entered into a conditional share sale agreement providing for 360 Capital to purchase a 100% interest in CVC Property Managers from CVC, subject to the completion of a strategic review to the satisfaction of both parties<sup>10</sup>.
- 48 The custodian of the Fund is Trust Company Limited.

### Statement of financial performance

- 49 The financial performance of the Fund for the four years ended 30 June 2014 is set out below:

CVC Property Fund – Statement of financial performance <sup>(1)</sup>				
	FY11	FY12	FY13	FY14
	Audited	Audited	Audited	Audited
	\$000	\$000	\$000	\$000
Rental income	5,826	4,176	3,211	3,261
Outgoings recovered	831	965	661	597
Underlying operating income	6,657	5,141	3,872	3,857
Investment property related expenses	(841)	(797)	(631)	(631)
Administrative expenses	(607)	(508)	(349)	(410)
Underlying operating expenses	(1,449)	(1,305)	(980)	(1,041)
Underlying earnings before interest and tax (EBIT)	5,208	3,836	2,892	2,816
Net finance costs	(4,464)	(2,776)	(1,495)	(1,158)
Underlying profit before tax (PBT)	744	1,059	1,396	1,659
Other income	1	-	-	-
Change in fair value of investment properties	(1,063)	(4,130)	(171)	(988)
Reported PBT	(318)	(3,070)	1,225	671
<i>Earnings per unit after tax (cents)</i>	<i>(0.04)</i>	<i>(0.40)</i>	<i>0.16</i>	<i>0.09</i>
<i>Distributions per unit (cents)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

**Note:**

- 1 Rounding differences may exist.

<sup>10</sup> Pursuant to the Proposed Transaction, 360 Capital will become the new RE of the Fund and this transaction will no longer take place.

50 In respect of the above, we note that:

- (a) the financial performance above reflects the strategy of the Fund to pursue a realisation of its investment portfolio with proceeds used to reduce outstanding debt facilities:
  - (i) rental income declined in FY13 as a result of the sale of 1464 Ferntree Gully Road, Knoxfield, Victoria (VIC) for a sale price of \$31.5 million on 16 November 2011
  - (ii) proceeds from the above sale were used to reduce the outstanding debt facilities resulting in a decrease in borrowing expenses in FY13
- (b) changes in the carrying value of the Fund's investments are reflected in the statement of financial performance. The loss in FY11 and FY12 was primarily as a result of the downward revaluation of investment properties.

### Statement of financial position

51 The financial position as at 30 June 2013, 31 December 2013 and 30 June 2014 is set out below:

<b>CVC Property Fund – Statement of financial position</b>			
	<b>30 Jun 13</b>	<b>31 Dec 13</b>	<b>30 Jun 14</b>
	<b>Audited</b>	<b>Reviewed<sup>(2)</sup></b>	<b>Audited</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	255	253	293
Trade and other receivables	162	50	150
Current tax assets	18	18	18
Frenchs Forest Assets <sup>(3)</sup>	28,750	28,250	28,250
1 Narabang Way, Belrose <sup>(4)</sup>	4,000	3,600	-
<b>Total assets</b>	<b>33,185</b>	<b>32,170</b>	<b>28,711</b>
Trade and other payables	368	375	371
Borrowings	21,294	20,418	16,146
<b>Total liabilities</b>	<b>21,662</b>	<b>20,793</b>	<b>16,517</b>
<b>Net assets</b>	<b>11,523</b>	<b>11,377</b>	<b>12,194</b>
<i>Net tangible assets (NTA) per unit (cents)</i>	<i>1.50</i>	<i>1.48</i>	<i>1.59</i>
<i>Gearing (net debt / total assets less cash)</i>	<i>63.9%</i>	<i>63.2%</i>	<i>55.8%</i>

**Note:**

- 1 Rounding differences may exist.
- 2 Based upon unaudited management accounts.
- 3 The carrying value as at 30 June 2014 is based on the combined independent property valuations (refer to paragraph 43) with reference to the conditional contract of the sale of the Frenchs Forest Assets for a sale price of up to \$32.0 million (refer to paragraph 45). The carrying value as at 30 June 2013 and 31 December 2013 was calculated on a similar basis.
- 4 Sale settled on 28 February 2014 with sale proceeds used to reduce debt.

### Borrowings

52 Total borrowings comprise secured borrowings from NAB and (in prior periods) unsecured borrowings from CVC (a related party):

<b>CVC Property Fund – Borrowings</b>			
	<b>30 Jun 13</b>	<b>31 Dec 13</b>	<b>30 Jun 14</b>
	<b>Audited</b>	<b>Reviewed</b>	<b>Audited</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Secured borrowings (NAB)	19,900	19,900	16,146
Unsecured borrowings (CVC)	1,394	518	-
<b>Total</b>	<b>21,294</b>	<b>20,418</b>	<b>16,146</b>

- 53 Borrowings from NAB attract a rate of interest of BBSY plus 1.85% per annum. The loan is secured by first ranking mortgages over the French Forest Assets. Further security has been provided by CVC by way of land owned at 1464 Ferntree Gully Road, Knoxfield, VIC. The terms of the loan include the maintenance of a loan to value ratio (LVR) of less than 55% and an interest cover ratio (ICR) of 1.5 times. The Fund is currently compliant with all loan covenants<sup>11</sup>. The facility is due to expire on 31 October 2015.
- 54 CVC, the majority unitholder in the Fund and the parent entity of CVC Property Managers previously provided an unsecured loan to the Fund. The loan attracted an interest rate of 10% per annum and had a maturity date of 31 October 2015. The loan was fully repaid during the year.

### Issued securities and ownership

- 55 The Fund currently has 767.9 million units on issue.
- 56 Significant interests are held by CVC and its wholly owned subsidiary CVC Mezzanine Finance Pty Limited (89.9% combined).

### Unit price performance and liquidity

#### Unit price performance

- 57 The price of the Fund units from 1 January 2011 to 31 October 2014 is summarised below:

<b>CVC Property Fund – Unit price performance table</b>				
	<b>High<sup>(1)</sup></b>	<b>Low<sup>(1)</sup></b>	<b>Close</b>	<b>Monthly</b>
	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>Volume</b>
				<b>000</b>
<b>Quarter ended</b>				
March 2011	1.00	0.50	1.00	1,330
June 2011	2.20	1.00	2.20	3,302
September 2011	1.10	1.10	1.00	62
December 2011	1.10	1.00	1.00	127
March 2012	1.00	1.00	1.00	68
June 2012	1.10	1.00	1.10	57
September 2012	1.10	1.10	1.10	99
December 2012	1.10	1.10	1.10	23
March 2013 <sup>(2)</sup>	n/a	n/a	n/a	n/a
June 2013	1.10	1.00	1.00	75
September 2013	0.70	0.70	0.70	2
December 2013	0.70	0.70	0.70	15
<b>Month ended</b>				
January 2014 <sup>(2)</sup>	n/a	n/a	n/a	n/a
February 2014 <sup>(2)</sup>	n/a	n/a	n/a	n/a
March 2014	0.70	0.70	0.70	35
April 2014	0.70	0.70	0.70	60
May 2014	0.70	0.70	0.70	62
June 2014	0.70	0.70	0.70	30
July 2014 <sup>(2)</sup>	n/a	n/a	n/a	n/a

<sup>11</sup> As at 30 June 2014, the ICR on the facility was 2.97 and the LVR was 48.93%. As per the terms of the loan, the LVR calculation takes into account the property at 1464 Ferntree Gully Road, Knoxfield, VIC.

**CVC Property Fund – Unit price performance table**

	High <sup>(1)</sup> cents	Low <sup>(1)</sup> cents	Close cents	Monthly Volume 000
August 2014 <sup>(2)</sup>	n/a	n/a	n/a	n/a
September 2014	0.90	0.90	0.90	188
October 2014	1.50	1.20	1.40	333

**Note:**

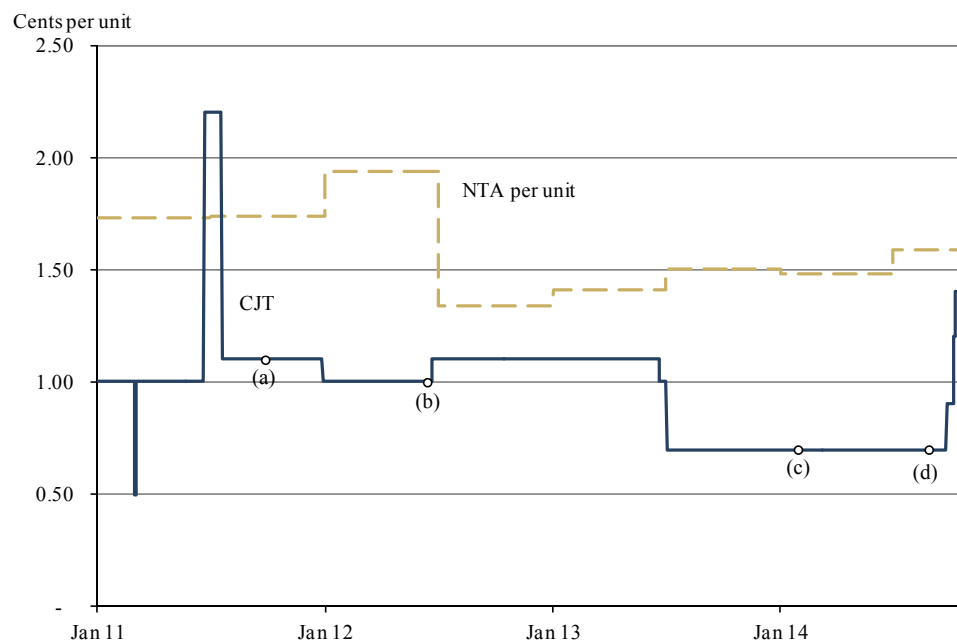
- 1 Based upon intraday trading.
- 2 No trades executed during the period.

**Source:** Bloomberg.

n/a – not applicable.

58 The following chart illustrates the movement in the Fund's unit price from 1 January 2011 to 31 October 2014:

**CVC Property Fund – unit price history<sup>(1)(2)</sup>  
1 January 2011 to 31 October 2014**



**Note:**

- 1 Based upon closing prices.
- 2 NTA per unit as per last reported balance sheet at the relevant time.

**Source:** Bloomberg.

59 Key events over the period include:

- (a) **26 September 2011** – entered into a conditional contract to sell the property located at 1464 Ferntree Gully Road, Knoxfield, VIC to CVC for \$31.5 million. Proceeds of the sale were used to reduce the outstanding debt facilities
- (b) **12 June 2012** – entered into a conditional contract to sell the Frenchs Forest Assets for a sale price of up to \$32.0 million with settlement on or before 30 June 2014. The purchaser subsequently agreed to extend the settlement date from 30 June 2014 to 1 October 2015
- (c) **28 January 2014** – entered into an unconditional contract to sell the property located at 1 Narabang Way, Belrose, NSW for a sale price of \$3.6 million. Settlement occurred on 28 February 2014

- (d) **26 August 2014** – announced the results of a strategic review with 360 Capital with the following proposals (which are reflected in the Proposed Transaction) identified:
- (i) change in the investment mandate of the Fund, targeting enhanced returns through property related investments as they arise
  - (ii) change the responsible entity to 360 Capital Investment Management Limited
  - (iii) undertake a capital raising
  - (iv) change the name of the Fund to 360 Capital Total Return Fund

## Liquidity

60 Trading in the Fund is very illiquid (even when measured on free float basis<sup>12</sup>). The liquidity in the Fund's securities based on trading on the ASX for the year to 31 October 2014 is set out below:

<b>CVC Property Fund – Liquidity analysis</b>						
<b>Period</b>	<b>Start date</b>	<b>End date</b>	<b>No of units traded 000</b>	<b>WANOS Outstanding<sup>(1)</sup> 000</b>	<b>Implied level of liquidity Period<sup>(2)</sup> %</b>	<b>Annual<sup>(3)</sup> %</b>
1 month	2 Oct 14	31 Oct 14	333	767,850	0.043	0.520
3 months	1 Aug 14	31 Oct 14	521	767,850	0.068	0.271
6 months	2 May14	31 Oct 14	612	767,850	0.080	0.159
1 year	1 Nov 13	31 Oct 14	721	767,850	0.094	0.094

**Note:**

- 1 Weighted average number of securities outstanding (WANOS) during relevant period.
- 2 Number of units traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

**Source:** Bloomberg and LEA analysis.

---

<sup>12</sup> In other words, excluding the significant interest held by CVC (and its related entities).

## IV Valuation methodology

### Valuation methodologies

- 61 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) 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.
- 62 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 63 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 64 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.
- 65 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company’s assets.

### Methodologies selected

- 66 Real Estate Investment Trusts (REITs) are primarily passive investment vehicles whose value is largely determined by the underlying property assets they hold. These property assets are generally carried on balance sheet at market values (that are generally, but not always, based upon contemporaneous independent property valuations). Accordingly, REITs are primarily valued by reference to net assets.

### **Valuation of the Fund**

- 67 Currently the Fund holds only two property assets (both of which are subject to a conditional contract for sale) and incurs the corporate costs associated with managing them. Consistent with the Fund's indicative future direction we have assessed the market value of the Fund on a net assets basis assuming an orderly realisation and distribution of the proceeds. We have had regard, as appropriate, to the time, cost and taxation consequences of realisation of the properties.
- 68 We would generally consider it appropriate to cross-check our assessed value of the Fund against the traded price of the Fund's units and against the trading and transaction multiples of broadly comparable A-REITs. However, given the current status of the Fund together with the highly illiquid nature of ASX trading in units in the Fund, we do not consider either of these implied / indicated values to provide a representative basis on which to determine a value of the Fund.



## V Valuation of 100% of the Fund

### Overview

69 As stated in Section IV, consistent with the Fund's current realisation strategy we have assessed the market value of the Fund on a net assets basis assuming an orderly realisation and distribution of the proceeds. We have had regard, as appropriate, to the time, cost and taxation consequences of realisation of the properties.

### Property assets

70 Currently the Fund holds only two property assets, known collectively as the Frenchs Forest Assets:

- (a) **357-373 Warringah Road, Frenchs Forest, NSW** – comprises an older style, two storey office building and a single storey warehouse building. The property is located in the Northern Beaches with a total site area of 22,350m<sup>2</sup> and a building area of 8,873m<sup>2</sup>, offering frontage to Warringah Road, Rodborough Road and Allambie Road
- (b) **8 Rodborough Road, Frenchs Forest, NSW** – a modern, hi-tech property consisting of a high clearance warehouse and three levels of office accommodation located in the Northern Beaches. The property comprises a total site area of 10,029m<sup>2</sup> and a building area of 8,065m<sup>2</sup>.

71 The Fund entered into a conditional contract of sale on 24 May 2012 for the sale of the Frenchs Forest Assets for up to \$32.0 million, subject to the satisfaction of a number of pre-conditions.

72 As set out in Section III of our report (paragraph 46), the potential future upside of the difference between the conditional sale price of up to \$32.0 million and the combined independent property valuations of \$26.0 million is preserved for the benefit of the existing unitholders of the Fund only. Given that under the Proposed Transaction existing unitholders receive the benefit of this potential capital upside irrespective of whether the Proposed Transaction proceeds, we have not separately assessed the value of this potential upside.

73 For the purposes of this report, we have implicitly assumed that the currently contracted sale of the Frenchs Forest Assets will proceed and accordingly, adopted a value of \$26.0 million.

### Other assets / (liabilities)

74 Net other assets / (liabilities), other than cash and debt, recognised on balance sheet as at 30 June 2014 amounted to negative \$0.2 million (being other assets of some \$168,000 less other liabilities of some \$371,000).

75 We consider all asset items to be realisable in cash and all liabilities to be payable and have therefore made no adjustment to the net liabilities of \$0.2 million as at 30 June 2014.

### Net debt

76 As at 30 June 2014 the Fund had net debt of \$15.9 million. We have adopted this value in our valuation of the Fund.

### Units on issue

77 The Fund has 767.9 million units on issue.

### Valuation summary

78 Based on the above, for the purpose of our report, we have assessed the value of 100% of the Fund on a controlling interest basis as follows:

**The Fund – Valuation summary<sup>(1)</sup>**

<b>Component</b>	<b>Para<sup>(2)</sup></b>	<b>Assessed value \$000</b>
Frenchs Forest Assets	73	26,000
Other assets / (liabilities)	75	(203)
Enterprise value		25,797
Net cash / (debt)	76	(15,853)
<b>Equity value of the Fund – 100% controlling interest basis</b>		<b>9,944</b>
Securities on issue (million)	77	768
<b>Equity value per unit – controlling interest basis pre consol (\$)</b>		<b>0.0130</b>
<b>Equity value per unit – controlling interest basis post consol (\$)<sup>(3)</sup></b>		<b>1.30</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Paragraph cross reference.
- 3 Pro-forma position reflecting the effective one for 100 consolidation of units implicit in the Proposed Transaction.

## VI Evaluation of the Proposed Transaction

79 We set out below the advantages and disadvantages of the Proposed Transaction to unitholders in the Fund not associated with the transaction and other related matters.

### Impact on ownership of the Fund

80 There are currently 767.9 million units on issue in the Fund, of which 690.2 million units (representing an 89.9% interest) are held by CVC.

81 Pursuant to the Proposed Transaction, the following changes in issued units in the Fund are proposed:

- (a) an effective one for 100 consolidation in the number of units on issue (implicit in the proposed acquisition of the Fund by the New Stapled Entity), reducing total issued units to 7.7 million
- (b) the acquisition by 360 Capital from CVC of 4.3 million units at a price of \$1.15 per unit, representing a total consideration of \$5.0 million
- (c) the issue of units pursuant to the proposed capital raise by the New Stapled Entity of a minimum of \$10.0 million at a minimum price of \$1.15 per unit (in which existing non-associated unitholders in the Fund will be invited to participate).

82 The effect of the proposed changes on the ownership of the Fund (assuming transactions in respect of existing and new stapled units are effected at a unit price of \$1.15) is as follows:

The Fund – Illustrative impact on ownership				
	Pre-transaction <sup>(1)</sup>		Post transaction <sup>(2)</sup>	
	000s	%	000s	%
CVC <sup>(3)</sup>	690,240	89.9	2,555	15.6
<b>360 Capital (and associates)<sup>(3)</sup></b>	-	-	4,348	26.6
<b>Non-associated unitholders:</b>				
Existing <sup>(4)</sup>	77,610	10.1	776	4.7
New investors <sup>(5)</sup>	-	-	8,696	53.1
<b>Total</b>	<b>767,850</b>	<b>100.0</b>	<b>16,374</b>	<b>100.0</b>

**Note:**

- 1 Pursuant to the Proposed Transaction, existing units are effectively consolidated on the basis of one for 100.
- 2 Assumes transactions in respect of existing and new stapled units are effected at a unit price of \$1.15.
- 3 360 Capital to acquire \$5.0 million of existing units from CVC.
- 4 Assumes existing non-associated unitholders do not take up rights under the proposed capital raise.
- 5 New stapled units issued to new investors under the proposed capital raise of a minimum of \$10.0 million.

83 In respect of the above, we note:

- (a) CVC, the existing majority shareholder in the Fund, will significantly reduce its interest from 89.9% to around 15%. Whilst CVC has not provided an indication as to its intentions regarding its remaining interest in the Fund (New Stapled Entity), non-associated unitholders should note that there is a risk of stock overhang impacting on the trading price of the units whilst CVC retains its holding in the Fund (New Stapled Entity)
- (b) 360 Capital will emerge with a significant interest in the Fund (New Stapled Entity) of around 27%. We note this level of interest is consistent with the indicated business philosophy of 360 Capital to co-invest in the funds for which it acts as RE

- (c) existing non-associated unitholders in the Fund will have their aggregate interest diluted from 10.1% to around 5%, subject to the extent to which this dilution is minimised by the participation of existing non-associated unitholders in the proposed capital raising<sup>13</sup>. Such unitholders will continue to be invested in a fund which is substantially controlled by the largest unitholder
- (d) 360 Capital is a manager who has a proven track record of capitalising on opportunities and special situations in the Australian real estate market.

### Proposed capital raising

- 84 As a component of the Proposed Transaction, the New Stapled Entity is undertaking a capital raising of a minimum of \$10.0 million at an issue price of \$1.15 per unit. This capital is to be used primarily to undertake one or more of the business opportunities identified as part of the strategic review of the Fund undertaken by 360 Capital. The capital raising is proposed to be conducted by means of a general public offer.
- 85 We note that the capital raising is significant relative to the market capitalisation of the Fund immediately prior to the announcement of the completion of the strategic review and proposed change in investment mandate of around \$5.4 million<sup>14</sup> and that the proposed minimum issue price of \$1.15 per unit:
- (a) represents a significant premium to the then prevailing listed market price of units in the Fund (adjusted for the effective one for 100 consolidation) of around \$0.70 (although trading in units in the Fund has been very illiquid, to the extent that we would not regard it as a reasonably representative basis on which to assess the value of the Fund)
  - (b) reflects a discount of 11.5% to our assessed valuation of units in the Fund on a 100% controlling interest basis of \$1.30 per unit (before the Proposed Transaction but reflecting the effective one for 100 consolidation implicit therein).
- 86 In this regard, we note that large capital raisings of the size proposed by the New Stapled Entity are generally priced at a discount to the prevailing listed market price. The size of the discount is dependent on the circumstances of the particular issue, having regard to factors such as the amount of money being raised, the purpose of the issue and the size of the raising in percentage terms. Observed discounts can range between 5% and 20% (and potentially higher) depending on market conditions and the above factors.

### Financial position of the Fund

- 87 The current financial position of the Fund is set out in Section III of our report. In summary:
- (a) asset realisations over time have reduced the investment portfolio to two remaining properties at Frenchs Forest, both of which are subject to conditional contracts of sale due for settlement in or around October 2015
  - (b) the Fund has significant third-party secured bank debt relative to the carrying value of its assets<sup>15</sup> of around \$16.1 million
  - (c) the financial position of the Fund has constrained new investment activities and has precluded distributions to unitholders for several years.
- 88 In contrast, pursuant to the Proposed Transaction the proposed capital raise provides financial flexibility to enable the Fund (New Stapled Entity) to undertake identified business opportunities.

<sup>13</sup> For convenience, the table set out in paragraph 82 above, assumes existing non-associated unitholders do not take up their rights under the proposed capital raise.

<sup>14</sup> Based upon the closing unit price of \$0.70 per unit as at 25 August 2014 and 7.7 million units on issue (on a pro-forma one for 100 consolidation adjusted basis). In our opinion, share market trading in the Fund subsequent to this date is likely to have been influenced by the announcement of the proposed change in investment mandate and capital raising.

<sup>15</sup> The conditional contracts of sale reflect potential sale proceeds of \$32.0 million (assuming all pre-conditions are met) compared to the carrying value of the properties of \$28.3 million.

89 Accordingly, whilst existing non-associated unitholders have their aggregate interest in the Fund (New Stapled Entity) diluted<sup>16</sup> and (unlike CVC) are not, as part of the Proposed Transaction, provided with an opportunity to realise their existing investment in the Fund, it is reasonable to assume such unitholders will nonetheless benefit over time from this improved financial position.

### ASX trading

90 As noted in Section III of our report, trading in units in the Fund on the ASX has been very illiquid, due prima facie, to a combination of the significant interest held by CVC (89.9%) and the relatively small market capitalisation of the Fund. Accordingly, non-associated unitholders seeking to realise their investment in the Fund have had limited opportunity to do so.

91 The Proposed Transaction includes a significant issue of new units in the New Stapled Entity in respect of the proposed capital raise, which will have the impact of materially increasing the overall size of the Fund (New Stapled Entity).

92 Based on a minimum capital raising of \$10.0 million and the reasonable assumption (at least in the immediate short-term) that units in the New Stapled Entity trade at (or around) the proposed minimum issue price of \$1.15 per unit, the market capitalisation of the New Stapled Entity (reflecting minority interest trading therein) would be around \$18.8 million<sup>17</sup>. In contrast, the market capitalisation of the Fund prior to the announcement of the completion of the strategic review and proposed change in investment mandate was around \$5.4 million<sup>18</sup>.

93 From the perspective of non-associated unitholders therefore, pursuant to the Proposed Transaction:

- (a) it is reasonable to assume there will be a listed market for units in the New Stapled Entity that reflects reasonable liquidity and a trading price at, or around the proposed capital raise price of \$1.15 per unit<sup>19</sup>. In this regard we note that subsequent to the Proposed Transaction, the aggregate interest of existing non-associated unitholders in the Fund is likely to be around 5%, a level which we would expect to be met by market demand over a reasonable timeframe
- (b) in contrast, there is a highly illiquid market and a trading price, in the absence of the announcement of the proposed change in mandate, of around \$0.70 per unit (on a pro-forma one for 100 consolidation basis)
- (c) trading at, or around \$1.15 per unit will be more closely aligned to the underlying NTA of the New Stapled Entity (post the Proposed Transaction), as opposed to the significant discount to underlying NTA at which the Fund has historically traded.

94 We also note that non-associated unitholders seeking to realise their investment in the New Stapled Entity subsequent to the Proposed Transaction will also retain an entitlement (by way of new A Class Units in the Fund) to participate in the extent to which (if any) the sale proceeds of the Frenchs Forest Assets exceed \$26.0 million. The conditional contracted price of these properties is up to \$32.0 million.

### Alternatives to the Proposed Transaction

95 The current position of non-associated unitholders in the Fund is summarised in paragraph 87 above. In the absence of the Proposed Transaction, non-associated unitholders in the Fund are primarily faced with a choice between:

<sup>16</sup> The degree of the dilution will depend, amongst other things, on size of the actual capital raising and the extent to which existing non-associated unitholders participate in the capital raise.

<sup>17</sup> Being an assumed 16.4 million units at \$1.15 per unit.

<sup>18</sup> Based upon the closing unit price of \$0.70 per unit as at 25 August 2014 and 7.7 million units on issue (on a pro-forma one for 100 consolidation adjusted basis). In our opinion, share market trading in the Fund subsequent to this date is likely to have been influenced by the announcement of the proposed change in investment mandate and capital raising.

<sup>19</sup> The most recent date that units in the Fund last traded at a price of \$1.15 per unit (on a pro-forma one for 100 consolidation adjusted basis) was June 2013.

- (a) retaining their investment until such time (presently scheduled to be around October 2015) as the conditional sale of the Frenchs Forest Assets is able to be completed and the balance of the proceeds (after repayment of the bank debt) is distributed to unitholders (and in the meantime being implicitly subject to an effective single transaction risk and negatively impacted by ongoing Fund corporate costs)
- (b) selling their securities on market, the practical difficulties of which are discussed in paragraph 90 above.

96 As noted above, concurrent with the Proposed Transaction, the New Stapled Entity is undertaking a significant capital raising of a minimum of \$10.0 million priced at a minimum \$1.15 per unit. In the circumstances, whilst it is not possible to accurately predict future security price movements, we consider it reasonable to conclude (at least in the immediate short-term) that units in the New Stapled Entity will trade at, or around, the capital raising price of \$1.15 per unit. For those non-associated unitholders in the Fund wishing to realise their investment, the Proposed Transaction is likely to provide an improved outcome relative to the current situation.

97 We have been advised that whilst CVC has previously been approached by other parties regarding alternative proposals in respect of the Fund, CVC considers the Proposed Transaction to be one capable of being recommended to existing unitholders in contrast to the earlier proposals.

**Possibility of receiving a future takeover offer (RG 111.41 and RG 111.46)**

98 In considering the possibility of a takeover offer in respect of the Fund (New Stapled Entity), we note that:

- (a) although 360 Capital has indicated that it intends to retain its units as a long-term strategic investor in the Fund (New Stapled Entity) (consistent with its business philosophy of co-investing in funds for which it acts as RE), it does not currently intend to make an offer for all the units in the Fund (New Stapled Entity) (and is under no obligation to do so)
- (b) CVC has effectively signalled an intention to exit its investment in (and management of) the Fund by entering into the respective agreement with 360 Capital
- (c) intuitively, the investment portfolio of the Fund (two remaining properties subject to conditional contracts of sale) is unlikely to be attractive to any potential third party acquirer.

99 We are therefore of the opinion that non-associated unitholders in the Fund are:

- (a) **Pre Proposed Transaction** – unlikely to receive any takeover offer for their units in the Fund from a third party (or alternatively CVC) even if they vote against the Proposed Transaction
- (b) **Post Proposed Transaction** – unlikely to receive a takeover offer for their units in the Fund (New Stapled Entity) in the short-to-medium term, unless 360 Capital decides to make a takeover offer at a later date.

100 Accordingly, we are of the view that the prospects of non-associated unitholders in the Fund (New Stapled Entity) receiving an offer for their units in the future are no less with 360 Capital (rather than CVC) as the major unitholder in the Fund. In our opinion therefore, approving the Proposed Transaction does not materially impact the likelihood of a takeover offer being made for the Fund (New Stapled Entity), compared to the position if the Proposed Transaction is not approved.

**Receipt by CVC of a control premium (RG 111.43)**

101 360 Capital is to acquire the majority of CVC's existing units in the Fund at a price per unit which is consistent with the concurrent capital raising being undertaken by the New Stapled Entity. Units to be issued pursuant to the capital raising will reflect minority interests in the New Stapled Entity.

- 102 It follows therefore that CVC will be receiving a price equivalent to a minority interest in the Fund (notwithstanding the controlling interest currently held) and implicitly will not be receiving any control premium<sup>20</sup>.

### **Future transactions between CVC and the Fund (RG 111.45)**

- 103 RG 111.45 states that the expert should also enquire whether future transactions are planned between the subject entity (in this case the Fund) and the vendor (in this case CVC) or any of the vendor's associates. According to the regulatory guide, this is to identify any future transactions which may not be at arm's length or which may compensate a vendor from accepting a price for their shares which is too low.
- 104 Post transaction, 360 Capital will have a significant interest in the Fund (New Stapled Entity). The Fund (New Stapled Entity) and CVC have confirmed that no future transactions between the Fund and/or the New Stapled Entity and CVC (or any of its associates) have been agreed.
- 105 However, 360 Capital and CVC have indicated that there is the potential for future mutual transactions between the parties, although nothing is definitive at this stage. Should a transaction arise, we have been advised that in such circumstances, the terms and conditions will be at arm's length and the transaction will be subject to securityholder approval where appropriate.

### **Tax considerations**

- 106 As part of the Proposed Transaction, the New Stapled Entity will acquire all the existing ordinary units in the Fund. The consideration will comprise the issue to unitholders of units in the New Stapled Entity. In addition, existing unitholders are to be issued with new A Class Units.
- 107 These aspects of the Proposed Transaction may have tax implications for unitholders dependent upon their individual circumstances. Non-associated unitholders in the Fund should read Section 9 of the Notice of Meeting and Explanatory Memorandum and consult their own professional advisers if in doubt as to the taxation consequences of the Proposed Transaction.

### **Conclusion**

- 108 Based on the above, we summarise below the advantages and disadvantages of the Proposed Transaction:

#### **Advantages**

- (a) as a component of the Proposed Transaction a significant capital raising by the New Stapled Entity of a minimum of \$10.0 million at a minimum unit price of \$1.15 is to be undertaken. The proposed issue price represents a significant premium to the equivalent (albeit highly illiquid) prices at which units in the Fund traded prior to the announcement of the proposed change in investment mandate and capital raising
- (b) it is reasonable to assume that subsequent to the Proposed Transaction (at least in the immediate short-term) there will be a listed market for units in the New Stapled Entity that reflects reasonable liquidity and a trading price at, or around the proposed capital raise price of \$1.15 per unit
- (c) pursuant to the Proposed Transaction the proposed capital raise provides financial flexibility to enable the New Stapled Entity to undertake identified business opportunities
- (d) in contrast, in the absence of the Proposed Transaction, non-associated unitholders in the Fund are primarily faced with a choice between:
  - (i) retaining their investment until such time (presently scheduled to be around October 2015) as the conditional sale of the Frenchs Forest Assets is able to be completed and the balance of the proceeds (after repayment of the bank debt) is distributed to unitholders (and in the meantime being implicitly subject to an effective single transaction risk and negatively impacted by ongoing Fund corporate costs)

---

<sup>20</sup> We note that the proposed capital raising is at a price per unit significantly above the equivalent ASX market price prior to the announcement of the proposed change in investment mandate and capital raising. As previously noted, due to the highly illiquid nature of ASX trading in units in the Fund, we do not consider this trading to represent a reasonable basis on which to assess a value of the Fund.



- (ii) selling their securities on market, the practical difficulties of which include a highly illiquid market and a trading price (if a transaction can be effected) of around \$0.70 per unit<sup>21</sup> (on a pro-forma one for 100 consolidation basis)
- (e) non-associated unitholders seeking to realise their investment in the New Stapled Entity subsequent to the Proposed Transaction will also retain an entitlement (by way of new A Class Units in the Fund) to participate in the extent to which (if any) the sale proceeds of the Frenchs Forest Assets exceed \$26.0 million. The conditional contracted price of these properties is up to \$32.0 million.

#### **Disadvantages**

- (f) pursuant to the Proposed Transaction, existing non-associated unitholders in the Fund will have their aggregate interest diluted from 10.1% to around 5%, subject to the extent to which this dilution is minimised by the participation of existing non-associated unitholders in the proposed capital raising. Such unitholders will however continue to be invested in a fund which is substantially controlled by the largest unitholder
- (g) existing non-associated unitholders in the Fund will also have the underlying value of their interest diluted, given the issue price of new units of \$1.15 under the capital raise represents a discount of 11.5% to our assessed valuation of units in the Fund (on a 100% controlling interest basis) of \$1.30 per unit. The indicated discount however is consistent with the range of observed discounts applicable to large capital raisings.

#### **Opinion**

- 109 Based on the above, we have concluded that on balance the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of the non-associated unitholders in the Fund.

---

<sup>21</sup> Based upon the closing unit price of \$0.70 per unit as at 25 August 2014. In our opinion, share market trading in the Fund subsequent to this date is likely to have been influenced by the announcement of the proposed change in investment mandate and capital raising. It should be noted that share market trading in units in the Fund also includes the value of participation in any upside on the sale proceeds of the Frenchs Forest Assets exceeding \$26.0 million.

## Financial Services Guide

### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

### Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting and Explanatory Memorandum to be sent to unitholders in the Fund in connection with the Proposed Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

### Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

### Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$25,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

**Complaints**

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

**Contact details**

- 14 LEA can be contacted by sending a letter to the following address:

Level 27  
363 George Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Qualifications, declarations and consents

### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Toscan and Mr Holt, who are each authorised representatives of LEA. Mr Toscan and Mr Holt have over 10 years and over 25 years experience respectively in the provision of valuation advice (and related advisory services).

### Declarations

- 3 This report has been prepared at the request of the Independent Director of CVC Property Managers, the RE of the Fund, to accompany the Notice of Meeting and Explanatory Memorandum to be sent to unitholders in the Fund. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of the unitholders of the Fund.

### Interests

- 4 At the date of this report, neither LEA, Mr Toscan nor Mr Holt have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has previously prepared a number of independent reports for transactions to which either 360 Capital or CVC have been a party (for example, in November 2013, LEA prepared an IER for the unitholders of the 360 CDPF in respect of the proposed restructure of the 360 Capital Office Fund). We have considered the matters described in Part C of ASIC Regulatory Guide 112 – *Independence of Experts* (RG 112) and confirm that we do not consider there to be any circumstances that would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, the Fund agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of the Fund and 360 Capital which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum.

## Glossary

Term	Meaning
360 Capital	360 Capital Group Limited
360 CIML	360 Capital Investment Management Limited
A Class Units	Units issued to existing unitholders in the Fund which entitles those unitholders to the net proceeds on sale of the Frenchs Forest Assets, resulting from the existing contract for sale, above the current independent valuation of \$26.0 million
AIFRS	Australian equivalent to International Financial Reporting Standards
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Corporations Act	Corporations Act 2001 (Cth)
CVC	CVC Limited
CVC Property Managers	CVC Property Managers Limited
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOS	Financial Ombudsman Services Limited
Frenchs Forest Assets	357-373 Warringah Road, Frenchs Forest, NSW and 8 Rodborough Road, Frenchs Forest, NSW
FSG	Financial Services Guide
Fund	CVC Property Fund
FY	Financial year
ICR	Interest cover ratio
IER	Independent expert's report
Jones Lang LaSalle	Jones Lang LaSalle, Inc
LEA	LonerGAN Edwards & Associates Limited
LVR	Loan to value ratio
NAB	National Australia Bank
NPV	Net present value
NSW	New South Wales
NTA	Net tangible asset
PBT	Profit before tax
Proposed Transaction	As defined at paragraph 2
RE	Responsible entity
REIT	Real Estate Investment Trust
RG 111	ASIC Regulatory Guide 111 – <i>Content of expert reports</i>
VIC	Victoria
WALE	Weighted average lease expiry
WANOS	Weighted average number of securities outstanding

**ANNEXURE B: INVESTIGATING ACCOUNTANTS REPORT**

See over page.



# Grant Thornton

An instinct for growth™

Board of Directors  
CVC Property Fund  
Level 42, 259 George Street  
Sydney, NSW, 2000

16 October 2014

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

Dear Directors,

## **INVESTIGATING ACCOUNTANT'S REPORT**

### **INDEPENDENT LIMITED ASSURANCE REPORT ON THE HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE**

#### **Introduction**

We have been engaged by CVC Property Fund, to be renamed 360 Capital Total Return Sub-Fund (“360CTRSF, or the “Fund”) to report on the historical and forecast financial information of the Fund for inclusion in the Explanatory Memorandum (the “Explanatory Memorandum”), relating to the issue of securities in the Fund.

Expressions defined in the Explanatory Memorandum has the same meaning in this report, unless otherwise specified.

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) holds Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

#### **Scope**

You have requested Grant Thornton Corporate Finance to review the following financial information of the Fund included in the Explanatory Memorandum:

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.



### **Historical Financial Information**

The historical financial information, as set out in the Explanatory Memorandum comprises:

- The historical and pro forma consolidated statement of financial position as at 30 June 2014.

(Hereafter the “Historical Financial Information”).

The Historical Financial Information has been derived from the historical financial information of 360CTRSF. The Historical Financial Information has been extracted from the audited financial statements for FY2014, which were audited by HLB Man Judd, who issued an unqualified audit opinion.

The stated basis of preparation is the recognition and measurements principles contained in Australian Accounting Standards and 360CTRSF’s adopted accounting principles applied to the historical financial information and the event(s) or transactions(s) to which the pro forma adjustments relate, as described in **Section 7.2** of the Explanatory Memorandum, as if those event(s) or transactions(s) had occurred as at the date of the Historical Financial Information. Due to its nature, the Historical Financial Information does not represent 360CTRSF’s actual or prospective financial position.

The Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### **Forecast Financial Information**

The forecast financial information, as set out in the Explanatory Memorandum comprises:

- The forecast consolidated statement of comprehensive income for FY2015; and
- The forecast operating earnings and distribution statement for FY2015.

(Hereafter the “Forecast Financial Information”).

The Forecast Financial Information as described in **Section 7** of the Explanatory Memorandum has been prepared in accordance with the Directors’ best estimate assumptions. The stated basis of preparation used in the preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and 360CTRSF’s adopted accounting policies.

The Historical Financial Information and the Forecast Financial Information are collectively referred to as the “Financial Information”.



### **Directors' Responsibility**

The Directors of 360CTRSF are responsible for the preparation and presentation of the Financial Information. The Directors are also responsible for the determination of the Pro Forma Transactions set out in **Sections 7.2** of the Explanatory Memorandum and the basis of preparation of the Historical Financial Information.

The Directors of 360CTRSF are also responsible for the Forecast including its basis of preparation and for the determination of the best estimate assumptions as set out in **Section 7.4** of the Explanatory Memorandum. They are also responsible for the preparation of the Forecast.

This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the directors determine necessary to enable the preparation of the Historical Financial Information and Forecast Financial Information that are free from material misstatement.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450: *“Assurance Engagements involving Corporate Fundraisings and/ or Prospective Financial Information”*.

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures applied to the accounting records in support of the Financial Information.

These procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

Our engagement did not involve updating or re-issuing any previously issued audit or review reports on any financial information used as a source of the Financial Information.

## **Conclusions**

### ***Historical Financial Information***

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical Financial Information of 360CTRSF as described in **Section 7** of the Explanatory Memorandum does not present fairly:

- The pro forma historical consolidated statement of financial position as at 30 June 2014;
- The Pro Forma Transactions do not provide a reasonable basis for the Historical Financial Information;
- The Historical Financial Information has not been prepared on the basis of the transactions set out in **Sections 7.1** of the Explanatory Memorandum; and
- The Historical Financial Information does not present fairly 360CTRSF's pro forma historical consolidated statement of financial position as at 30 June 2014,

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the Pro Forma Transactions set out in **Section 7.2** of the Explanatory Memorandum had occurred at 30 June 2014.

### ***Forecast Financial Information***

Based on our review of the Forecast Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Directors' best estimate assumptions giving rise to the Forecast Financial Information, nothing has come to our attention which causes us to believe that:

- The Directors' best estimate assumptions do not provide a reasonable basis for the preparation of the Forecast Financial Information;
- The Forecast Financial Information was not prepared on the basis of the best estimate assumptions;
- The Forecast Financial Information does not present fairly:
  - i) The forecast consolidated statement of comprehensive income for FY2015; and
  - ii) The forecast operating earnings and distribution statement for FY2015,

in accordance with the recognition and measurement requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the 360CTRSF for FY2015. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different to the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors best estimate assumptions on which the Forecast Financial Information are based relate to future events and/ or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside of the control of 360CTRSF. Evidence may be available to support the directors best estimate assumptions on which the Forecast Financial Information is based, however, such evidence is generally future orientated and therefore speculative in nature.

We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly provide a lesser level of assurance on the reasonableness of the Directors best estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Fund, which are detailed in the Explanatory Memorandum, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks described in **Section 6** of the Explanatory Memorandum.

We express no opinion as to whether the Forecast Financial Information will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of 360CTRSF, that all material information concerning the prospects and proposed operations of 360CTRSF has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.



**Restriction on Use**

Without modifying our conclusions, we draw attention to **Section 7** of the Explanatory Memorandum, which describes the purpose of the Financial Information, being for inclusion in the Explanatory Memorandum. As a result, the Financial Information may not be suitable for use for another purpose.

**Consent**

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Explanatory Memorandum in the form and context in which it is included.

**Liability**

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Explanatory Memorandum. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Explanatory Memorandum.

**Independence or Disclosure of Interest**

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

A handwritten signature in black ink, appearing to read 'Neil Cooke'.

Neil Cooke  
Partner

A handwritten signature in black ink, appearing to read 'Matthew Leivesley'.

Matthew Leivesley  
Partner – Audit & Assurance



# Grant Thornton

An instinct for growth™

## Appendix A (Financial Services Guide)

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445

E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)

W [www.grantthornton.com.au](http://www.grantthornton.com.au)

This Financial Services Guide is dated 16 October 2014.

### About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (“Grant Thornton Corporate Finance”) has been engaged by CVC Property Fund, to be renamed 360 Capital Total Return Sub-Fund (“the Fund”) to provide a report in the form of Independent Limited Assurance Report for inclusion in a Explanatory Memorandum (“the Explanatory Memorandum”) relating to the offer of securities in the Fund (“the Issue”). You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

### This Financial Services Guide

This Financial Services Guide (“FSG”) is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

### Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and to deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

### General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.



### **Fees, commissions and other benefits we may receive**

Grant Thornton Corporate Finance charges fees to produce reports, including this report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report our fees are charged on a fixed basis. Partners, Directors or employees of Grant Thornton Corporate Finance, Grant Thornton Australia Ltd, or other associated entities, may receive dividends, salary or wages from Grant Thornton Australia Ltd. The fees charged for the preparation of this report agreed by the Fund amount to \$18,000.

### **Associations with issuers of financial products**

Grant Thornton Corporate Finance and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

### **Complaints**

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 National Head of Corporate Finance 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:

PO Box 579 – Collins Street West  
Melbourne, VIC 8007  
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

### **Contact Details**

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance  
Grant Thornton Corporate Finance Pty Ltd  
Level 17, 383 Kent Street  
Sydney, NSW, 2000



**ANNEXURE C: SUPPLEMENTAL DEED**

See over page.

**C L I F F O R D**  
**C H A N C E**

**CVC PROPERTY FUND**

---

**SUPPLEMENTAL DEED**

---

## CONTENTS

Clause	Page
1. Amendment of constitution .....	2
2. No resettlement.....	3
3. Amendments to take priority .....	3
4. Date of effect .....	3
5. Governing law .....	3
6. Costs.....	3
Schedule 1 Appendix 2: Terms of the Class A Units .....	4
Schedule 2 Appendix 3: Scheme .....	5

## Details

---

<b>Date</b>	.....2014
-------------	-----------

---

<b>Responsible Entity</b>	Name	CVC Property Managers Limited
	ACN	066 092 028
	Address	Level 42, 259 George Street, SYDNEY NSW 2000

---

### Recitals:

- (A) By deed dated 1 October 1980 the trust currently known as the CVC Property Fund (the "**Trust**") was established.
- (B) The responsible entity of the Trust (the "**Responsible Entity**") has resolved to amend the constitution of the Trust (the "**Constitution**") in accordance with clause 22.1(a)(ii) of the Constitution in the manner set out below.

### NOW IT IS COVENANTED AND AGREED AS FOLLOWS:

#### 1. AMENDMENT OF CONSTITUTION

Under clause 22.1 of the Constitution, the Constitution is amended by:

- (a) adding the following sentence to the end of clause 4.1(d) of the Constitution:
- "Despite anything else in this Constitution, the Responsible Entity may issue A Class Units in accordance with the terms set out in Appendix 2 of this Constitution.";
- (b) renaming the Appendix as "Appendix 1";
- (c) adding as Appendix 2 to the Constitution the provisions set out in Schedule 1;
- (d) adding as Appendix 3 to the Constitution the provisions set out in Schedule 2; and
- (e) adding to clause 1.1, the following definitions in alphabetical order:

**A Class Units** means the Units so described in Appendix 2 of the Constitution.

**Deed Poll** means the deed poll executed by Total Return Fund RE in favour of the Members in respect of the Scheme.

**CVC Acquisition** means the registration of 360 Capital Property Limited ACN 146 484 433 or its nominee as the holder of Units for a purchase price of \$5million following completion of the acquisition of such Units as approved by Members at the Scheme Meeting.

**Effective Date** means the date on which the Supplemental Deed is lodged with ASIC.

**Implementation Date** means the date for implementation of the Scheme in accordance with the circular provided to Members for the purposes of the Scheme Meeting.

**Record Date** means the Satisfaction Date or a date after the Satisfaction Date in accordance with the circular provided to Members for the purposes of the Scheme Meeting.

**Satisfaction Date** means the date of the CVC Acquisition.

**Scheme** means the arrangements approved by Members at the Scheme Meeting under which Total Return Fund RE acquires all of the Scheme Units from the Scheme Members in return for Total Return Fund RE issuing the Scheme Consideration to the Scheme Members.

**Scheme Consideration** means, in respect of 100 Scheme Units, one new fully paid unit in the 360 Capital Total Return Passive Fund ARSN 602 304 432 which will be stapled to one new unit in the 360 Capital Total Return Active Fund ARSN 602 303 613 with any fractional amount being issued by Capital Total Return Passive Fund ARSN 602 304 432 and stapled to a matching fractional amount issued in the 360 Capital Total Return Active Fund ARSN 602 303 613.

**Scheme Meeting** means a meeting of Members to consider and, if thought fit, approve the Scheme.

**Scheme Transfers** means, for each Scheme Member, a proper instrument of transfer of their Scheme Units for the purposes of section 1071B of the Corporations Act, which may be a master transfer for all Scheme Units.

**Scheme Member** means a Member holding Scheme Units as at the Record Date.

**Scheme Units** means all Units on issue as at the Record Date.

**Total Return Fund** means the stapled entity comprising the 360 Capital Total Return Active Fund ARSN 602 303 613 and 360 Capital Total Return Passive Fund ARSN 602 304 432.

**Total Return Fund RE** means 360 Capital Investment Management Limited ACN 133 363 185 as responsible entity of Total Return Fund."

2. **NO RESETTLEMENT**

The Responsible Entity acknowledges that nothing in this deed is intended or will in any way be construed to be a resettlement of the Trust and declare that any provision having such effect is void.

3. **AMENDMENTS TO TAKE PRIORITY**

If any conflict or inconsistency should occur between the provisions presently contained in the Constitution and those added to the Constitution by this deed then the latter will prevail.

4. **DATE OF EFFECT**

The amendments contained in this deed apply from the date this deed is executed. For the avoidance of doubt, the amendments do not affect any distributions or allocations made before the execution of this deed (whether paid or not) and such distributions or allocations will be subject to the terms of the Constitution in place before the execution of this deed.

5. **GOVERNING LAW**

This deed will be interpreted in accordance with the law of New South Wales, and the Responsible Entity submits to the non exclusive jurisdiction of the Courts of New South Wales.

6. **COSTS**

The costs of and incidental to the preparation execution and stamping of this deed and any instrument executed pursuant to this deed shall be costs or expenses of the Trust and shall be borne by the Responsible Entity in its capacity as responsible entity of the Trust.

**EXECUTED** by the parties as a deed.

**Signed, sealed and delivered by CVC Property Managers Limited (ACN 066 092 028)** as responsible entity of the CVC Property Trust ARSN 107 276 184 in accordance with section 127 of the Corporations Act 2001 (Cth):

\_\_\_\_\_  
Signature of director

\_\_\_\_\_  
Signature of company secretary/director

\_\_\_\_\_  
Full name of director

\_\_\_\_\_  
Full name of company secretary/director

**SCHEDULE 1**  
**APPENDIX 2: TERMS OF THE CLASS A UNITS**

1. Terms of issue
  - (a) The A Class Units are:
    - (i) non-transferrable; and
    - (ii) redeemable as provided in clause 2(b) of this Appendix 2.
  - (b) There is no consideration payable by a Member for the issue of an A Class Unit and they will be issued fully paid.
  - (c) An A Class Unit does not entitle the holder to vote except on a proposal which affects the rights attached to A Class Units.
  - (d) The A Class Units are issued:
    - (i) only once, following suspension of the quotation of Units and after implementation of the trust scheme approved by Members at the meeting at which the amendment of the Constitution to include this Appendix 2 was approved; and
    - (ii) on a pro-rata basis in accordance with the existing Units held as at the record date fixed by the Responsible Entity for the issue (that is, one A Class Unit for each existing Unit held on the said record date).
2. Distributions and redemption
  - (a) If a sale of the property at 8 Rodborough Road, Frenchs Forest (Lot 1, DP 220769) and the property at 357-373 Warringah Road, Frenchs Forest (Lot 2, DP 737409) (**Property**) is completed before the second anniversary of the date of issue of the A Class Units, and the combined gross sale price of the Property (GST exclusive) received by the Trust, adjusted for the normal settlement adjustments that would occur in relation to the sale of a property, for example, land tax and council rates and for the costs of the Trust in satisfying the conditions necessary to complete the sale, exceeds \$26 million (**Threshold Amount**), such excess over the Threshold Amount will be paid on a pro-rata basis to the holders of A Class Units. The payment of the distribution will be made as soon as practicable, and no more than four weeks after the receipt of the sale proceeds of the Property. The A Class Units carry no other right or entitlement to distributions or payments of income or capital of the Trust.
  - (b) The A Class Units will be redeemed and cease to exist for no additional consideration and without any further action to be taken on the first to occur of:
    - (i) payment of the distribution under clause 2(a) of this Appendix 2; and
    - (ii) the second anniversary of the date of issue of the A Class Units if the sale of the Property has not completed by the Fund receiving an amount in respect of the purchase price in excess of the Threshold Amount.
  - (c) Any distribution from the Trust under clause 2(a) of this Appendix 2 must be made on a pro-rata basis in accordance with the number of A Class Units held.
3. General
  - (a) To the extent of any conflict or inconsistency, the terms of issue of the A Class Units set out in this Appendix 2 override any other provisions of this deed.
  - (b) Meetings of Members holding A Class Units are to be convened and conducted in the same manner as meetings of Members under this Constitution.

**SCHEDULE 2**  
**APPENDIX 3: SCHEME**

1. Implementation of the Scheme

- (a) Each Member and the Responsible Entity must do all things which the Responsible Entity considers are necessary or desirable to give effect to the Scheme.
- (b) The Responsible Entity may do any act, matter or thing pursuant to this clause 1 notwithstanding that it has an interest in the act, matter or thing or any consequence thereof.
- (c) This clause 1 of Appendix 3:
  - (i) binds the Responsible Entity and all Members including those who do not attend the Scheme Meeting (including those who were not Members at the time of the Scheme Meeting), those who do not vote at that meeting and those who vote against the resolution at that meeting; and
  - (ii) has effect notwithstanding any other provision of this deed and any provision of this deed which is inconsistent with this clause 1 does not operate to the extent of any inconsistency.

2. Dealings in Units

- (a) For the purpose of establishing the Members who are Scheme Members and the Units that are Scheme Units, dealings in Units will only be recognised if registrable transfers or transmission applications in respect of those dealings are received by the Responsible Entity (or by any agent that the Responsible Entity has appointed to maintain the Register on behalf of the Responsible Entity) by 5.00pm on the Record Date.
- (b) The Responsible Entity will register registrable transfers or transmission applications of the kind referred to in clause 2(a) of this Appendix 3 by, or as soon as practicable after, the Record Date. The persons shown in the Register, and the number of Units shown as being held by them, after registration of those transfers and transmission applications will be taken to be the Scheme Members and the Scheme Units held by them, respectively.
- (c) Subject to the other provisions of this clause 2 of Appendix 3, the Responsible Entity will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Units received after 5.00pm on the Record Date (or received prior to the Record Date not in registrable form) and prior to registration of Total Return Fund RE (or its nominee) as Member in respect of all Scheme Units.
- (d) The Responsible Entity will maintain or procure the maintenance of the Register in accordance with this clause 2 of Appendix 3. The Register immediately after registration of registrable transfers or transmission applications of the kind referred to in clause 2(a) of this Appendix 3 will solely determine the persons who are Scheme Members and their entitlements to the Scheme Consideration and the Units which are Scheme Units.
- (e) From the Record Date and until registration of Total Return Fund RE as Member in respect of all Scheme Units under clause 4(c) of this Appendix 3, no Member may deal with Units in any way except as set out in this clause 2 of this Appendix 3 and any attempt to do so will have no effect.

3. Scheme Consideration

Subject to the provisions of this Appendix 3, each holder of a Scheme Unit will be entitled to receive from Total Return Fund RE the Scheme Consideration for that Scheme Unit held by that Scheme Member at the Record Date.

4. Transfers to Total Return Fund RE

- (a) On the Implementation Date, subject to the Total Return Fund RE satisfying its obligations to issue the Scheme Consideration:
  - (i) all of the Scheme Units together with all rights and entitlements attaching to the Scheme Units as at that time will be transferred to Total Return Fund RE (or its nominee) without the need for any further act by any Scheme Member (other than acts performed by the Responsible Entity (or its directors or officers) as attorney or agent of the Scheme Members under clause 6 of this Appendix 3 or otherwise); and
  - (ii) the Responsible Entity will procure the delivery to Total Return Fund RE of transfers of all the Scheme Units to Total Return Fund RE (or its nominee) duly completed and executed on behalf of the Scheme Members in the form of Scheme Transfers which transfer all of the Scheme Units to Total Return Fund RE (or its nominee).



- (b) Total Return Fund RE must immediately execute (or must, if applicable, procure that its nominee executes) the transfers referred to in clause 4(a)(ii) of this Appendix 3 as transferee by executing the Scheme Transfers as transferee and delivering the Scheme Transfers to the Responsible Entity for registration.
- (c) The Responsible Entity must, immediately following receipt of the transfers under clause 4(b) of this Appendix 3 (in the form of Scheme Transfers in respect of the Scheme Units), enter the name and address of Total Enhanced Return Fund RE (or its nominee) in the Register in respect of all the Scheme Units.

5. Responsible Entity's limitation of liability

The Responsible Entity has no liability of any nature whatsoever to Members beyond the Trust arising directly or indirectly from the Responsible Entity doing or refraining from doing any act, matter or thing (including the execution of a document) pursuant to or in connection with the implementation of the Scheme.

6. Covenants by Scheme Members

- (a) Each Scheme Member:
  - (i) agrees to the transfer of all of their Scheme Units to Total Return Fund RE (or its nominee) in accordance with this Appendix 3;
  - (ii) agrees to the modification or variation (if any) of the rights attaching to their Scheme Units arising from this Appendix 3;
  - (iii) without the need for any further act, irrevocably appoints the Responsible Entity and each of its directors and officers, jointly and severally, as that Scheme Member's attorney and agent for the purpose of executing any document (including completing and executing any Scheme Transfer) or doing any other act necessary to give full effect to the Scheme, this Appendix 3, and the transactions contemplated by them;
  - (iv) consents to the Responsible Entity doing all things and executing all deeds, instruments, transfers, applications or other documents as may be necessary or desirable to give full effect to the Scheme, this Appendix 3 and the transactions contemplated by them;
  - (v) appoints the Responsible Entity to enforce the Deed Poll against Total Return Fund RE on behalf of and as agent and attorney for each Scheme Member; and
  - (vi) agrees to provide the Responsible Entity with such information as the Responsible Entity may reasonably require to comply with any law in respect of the Scheme and the transactions contemplated in this Appendix 3.
- (b) From the Effective Date until the Responsible Entity registers Total Return Fund RE (or its nominee) as the Member in respect of all Scheme Units in the Register, each Member is deemed to have appointed the Responsible Entity as its attorney and agent (and directed the Responsible Entity in such capacity) to appoint the Chairman of Total Return Fund RE (or other nominee of Investment Trust RE) as its sole proxy and, where applicable, corporate representative to attend meetings of Members of the Trust, exercise the votes attaching to the Scheme Units of which they are the registered Member and sign any Members' resolution, and no such Member may attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to this clause 6(b). The Responsible Entity undertakes in favour of each such Member that it will appoint the Chairman of Total Return Fund RE (or other nominee of Total Return Fund RE) as that Member's proxy or, where applicable, corporate representative in accordance with this clause 6(b) of this Appendix 3.

7. Status of Scheme Units

- (a) The Scheme Members are deemed to have warranted to the Responsible Entity in its own right and on behalf of Total Return Fund RE that all their Scheme Units (including any rights and entitlements attaching to those Scheme Units) which are transferred to Total Return Fund RE (or its nominee) under this Appendix 3 will, at the date they are transferred to Total Return Fund RE (or its nominee), be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind not referred to in this deed, and that they have full power and capacity to sell and to transfer their Scheme Units (including any rights and entitlements attaching to those securities).
- (b) Total Return Fund RE will be beneficially entitled to the Scheme Units transferred to it under this Appendix 3 pending registration by the Responsible Entity of the name and address of Total Return Fund RE (or its nominee) in the Register as the Member in respect of the Scheme Units.

**ANNEXURE D: DEED POLL**

See over page.

360 CAPITAL INVESTMENT MANAGEMENT LIMITED AS RESPONSIBLE  
ENTITY OF EACH OF THE 360 CAPITAL TOTAL RETURN FUND

---

DEED POLL

---

## CONTENTS

Clause	Page
1. Interpretation .....	2
2. Enforceability .....	3
3. Implementation of Scheme .....	3
4. Representations and warranties.....	3
5. Total Return Fund RE limitation of liability .....	4
6. Continuing obligations.....	4
7. Notices .....	4
8. Amendment .....	5
9. General .....	5

## Details

---

<b>Date</b>	.....2014
-------------	-----------

---

<b>Parties</b>	Name	<b>360 Capital Investment Management Limited ACN 133 363 185 as responsible entity of the 360 Capital Total Return Active Fund ARSN 602 303 613 and the 360 Capital Total Return Passive Fund ARSN 602 304 432 (Total Return Fund RE)</b>
	ABN/ ACN/Other	<b>133 363 185</b>
	Address	<b>Level 8, 56 Pitt Street, SYDNEY NSW 2000</b>
	Fax	<b>02 9238 0354</b>
	Email	<b>kevin.low@360capital.com.au</b>
	Attention	<b>Kevin Low</b>

---

### Background / Recitals:

- (A) On or about 26 August 2014, the Total Return Fund RE and CVC Property Managers Limited ACN 066 092 028 as responsible entity of the CVC Property Fund ARSN 107 276 184 (**CVC Property Fund RE**) entered into a binding letter agreement to work together in relation to the restructure of the CVC Property Fund.
- (B) Attached to this deed is the final draft of the Meeting Booklet (as defined below) which fully describes the transactions contemplated in relation to the restructure of the CVC Property Fund, in particular the acquisition by the Total Return Fund RE of all of the units in the CVC Property Fund, and the issue of new securities as consideration for such acquisition (**Top Hat Scheme**).
- (C) CVC Property Fund RE has agreed to propose the Top Hat Scheme and CVC Property Fund RE and the Total Return Fund RE have agreed to implement the Top Hat Scheme on the terms and conditions set out in the Meeting Booklet.
- (D) Total Return Fund RE is entering into this deed poll to covenant in favour of CVC Property Fund Scheme Unitholders to perform its obligations in connection with the implementation of the Top Hat Scheme.

## GENERAL TERMS

### 1. INTERPRETATION

In this deed the following terms have the following meanings:

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the financial market which it operates, as the context requires.

**ASX Listing Rules** means the official listing rules of ASX;

**Business Day** means a day other than a Saturday, Sunday or public holiday on which banks are open for general banking business in Sydney, New South Wales.

**CVC Acquisition** means the registration of 360 Capital Property Limited ACN 146 484 433 as the holder of CVC Property Fund Units following completion of the acquisition of such CVC Property Fund Units for a purchase price of \$5million as described in the Meeting Booklet.

**CVC Property Fund** means CVC Property Fund ARSN 107 276 184.

**CVC Property Fund RE** means CVC Property Managers Limited ACN 066 092 028 as responsible entity of the CVC Property Fund.

**CVC Property Fund Units** means ordinary units in the CVC Property Fund.

**CVC Property Fund Scheme Unitholder** means a holder of CVC Property Fund Units on the Scheme Record Date.

**End Date** means 31 March 2015.

**Fundraising** means the offer of Stapled Units under the Fundraising PDS.

**Fundraising Condition** means that both of the following have been received by or on behalf of the Total Return Fund RE in its capacity of responsible entity of the Total Return Fund:

- (a) valid applications for Stapled Units at an issue price of not less than \$1.15 per Stapled Unit with an aggregate face value of not less than \$10 million from investors under the Fundraising PDF and/or from underwriters of the Fundraising by the End Date; and
- (b) notification from ASX that the requirements of Chapters 1 and 2 of the ASX Listing Rules as applicable to the admission to the official list of ASX of the 360 Capital Total Return Active Fund ARSN 602 303 613 and 360 Capital Total Return Passive Fund ARSN 602 304 432 as the Total Return Fund and quotation of the Stapled Units on ASX, have been satisfied

by the End Date.

**Fundraising PDS** means the Product Disclosure Statement lodged with ASIC in or around February 2015 by the Total Return Fund RE for the purpose of the offer of Stapled Units at not less than \$1.15 per Stapled Unit to raise not less than \$10 million as described in the Meeting Booklet.

**Implementation Date** means the date for implementation of the Trust Scheme in accordance with the Meeting Booklet.

**Meeting Booklet** means the notice of meeting of holders of CVC Property Fund Units, accompanied by an explanatory statement, an investigating accountants report and independent expert's report in agreed form.

**Notice of Meeting** means the notice of meeting in the Meeting Booklet.

**Resolution Condition** means that Resolutions 1 to 5 inclusive in the Notice of Meeting have been duly approved.

**Scheme Record Date** means the Satisfaction Date or such later date as is provided in the Meeting Booklet.

**Satisfaction Date** means the date of the CVC Acquisition.

**Stapled Units** means stapled units in the Total Return Fund being units in the 360 Capital Total Return Active Fund ARSN 602 303 613 stapled to units in the 360 Capital Total Return Passive Fund ARSN 602 304 432 on a one for one basis (or matching fractional amounts where fractions of units are issued) and only transferrable together.

**Top Hat Scheme** has the meaning provided in Recital B.

**Total Return Fund** means the stapled fund consisting of the 360 Capital Total Return Active Fund ARSN 602 303 613 and the 360 Capital Total Return Passive Fund ARSN 602 304 432.

Unless otherwise defined, capitalised terms used in this deed have the meanings given to them in the Notice of Meeting.

## 2. ENFORCEABILITY

Total Return Fund RE acknowledges that this deed may be relied on and enforced by any CVC Property Fund Scheme Unitholder, or by CVC Property Fund RE (or any successor responsible entity of the CVC Property Fund) on behalf of the CVC Property Fund Scheme Unitholders, in accordance with its terms notwithstanding that CVC Property Fund Scheme Unitholders are not party to it.

## 3. IMPLEMENTATION OF SCHEME

Subject to the provisions of this deed and subject to satisfaction of the Resolution Condition and the Fundraising Condition before the End Date, Total Return Fund RE undertakes in favour of each CVC Property Fund Scheme Unitholder that:

- (a) it will do all things which it is required to do so as to implement the Top Hat Scheme; and
- (b) without limiting clause 3(a):
  - (i) on the Implementation Date, Total Return Fund RE will acquire all of the CVC Property Fund Units not registered in its name as at the Implementation Date; and
  - (ii) in consideration for the transfer of the CVC Property Fund Units in accordance with clause 3(b)(i), Total Return Fund RE must cause the issue to CVC Property Fund Scheme Unitholders of one unit in the 360 Capital Total Return Passive Fund ARSN 602 304 432 to be stapled to one unit in the 360 Capital Total Return Active Fund ARSN 602 303 613 for every 100 CVC Property Fund Units held as at the Scheme Record date with any fractional amounts being issued by the 360 Capital Total Return Passive Fund ARSN 602 304 432 and being stapled to a matching fractional amount in the 360 Capital Total Return Active Fund ARSN 602 303 613 and otherwise in accordance with the Meeting Booklet.

#### 4. REPRESENTATIONS AND WARRANTIES

##### 4.1 Representations

Total Return Fund RE represents and warrants for the benefit of each CVC Property Fund Scheme Unitholder that:

- (a) Total Return Fund RE is a validly existing corporation registered under the laws of its place of incorporation.
- (b) The execution and delivery of this deed by Total Return Fund RE has been properly authorised by all necessary corporate action and Total Return Fund RE has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed.
- (c) This document constitutes legal, valid and binding obligations of Total Return Fund RE and this deed does not result in a breach of or default under any of the constituent documents of Total Return Fund.
- (d) Total Return Fund RE has been properly appointed as responsible entity of the Total Return Fund.

##### 4.2 Survival of representations

Each representation and warranty in clause 4.1:

- (a) is severable;
- (b) will survive termination of this deed; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this deed.

#### 5. TOTAL RETURN FUND RE LIMITATION OF LIABILITY

This clause 5 applies notwithstanding any other provision of this deed.

- (a) Total Return Fund RE enters into this deed only in its capacity as responsible entity of the Total Return Fund and in no other capacity. Any liability arising under or in connection with this deed can be enforced against Total Return Fund RE only to the extent to which it can be satisfied out of the property of the Total Return Fund out of which Total Return Fund RE is actually indemnified for the liability.
- (b) The limitations on Total Return Fund RE's liability contained in this clause 5 extend to all liabilities of Total Return Fund RE in any way connected with any representation, warranty, conduct, omission, agreement or transaction under this deed.
- (c) No other party to this deed may claim against the personal assets of Total Return Fund RE or against Total Return Fund RE in its personal capacity or seek the appointment of a liquidator, administrator, receiver or similar person to Total Return Fund RE or prove in any liquidation, administration or arrangement of or affecting Total Return Fund RE.
- (d) The provisions of paragraphs (a) to (c) inclusive in this clause 5 shall not apply to any obligation or liability of Total Return Fund RE to the extent that it is not satisfied because under the constitution establishing the Total Return Fund or by operation of law there is a reduction in the extent of Total Return Fund RE's indemnification out of the assets of the Total Return Fund as a result of Total Return Fund RE's failure to properly perform or exercise any of its powers or duties in relation to the Total Return Fund.

#### 6. CONTINUING OBLIGATIONS

Subject to clause 3, this deed is irrevocable and remains in full force and effect until Total Return Fund RE has completely performed its obligations under this deed.

#### 7. NOTICES

##### 7.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed:

- (a) must be in writing;
- (b) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party; and
- (c) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 7.3.



## 7.2 **When notice taken to be received**

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and
- (d) (in the case of delivery by hand) on delivery,

but if the communication is taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

## 7.3 **Addresses for notices**

For the purpose of this clause 7, the address of a person is the address set out below or another address of which that person may from time to time give notice to each other person:

Total Return Fund RE:

Address: Level 8, 56 Pitt Street, Sydney NSW 2000  
Fax Number: (02) 9238 0354  
Attention: Kevin Low

## 8. **AMENDMENT**

A provision of this deed may be varied by supplemental deed poll made in favour of the CVC Property Fund Scheme Unitholders, but only if the variation is agreed to in writing by CVC Property Fund RE.

## 9. **GENERAL**

### 9.1 **Governing law**

This deed is governed by and must be construed according to the law applying in the state of New South Wales, Australia.

### 9.2 **Jurisdiction**

Each party irrevocably:

- (a) submits to the non exclusive jurisdiction of the courts of the state of New South Wales, Australia, and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed; and
- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 9.2(a).

### 9.3 **Further acts and documents**

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this deed.

### 9.4 **Waiver of rights**

- (a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this deed by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed.
- (b) A waiver or consent given by a party under this deed is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of a term of this deed operates as a waiver of another breach of that term or of a breach of any other term of this deed.

**EXECUTED** as a deed on the day first mentioned above.

**Signed, sealed and delivered by 360 Capital Investment Capital Limited as responsible entity of the 360 Capital Total Return Active Fund ARSN 602 303 613 and the 360 Capital Total Return Passive Fund ARSN 602 304 432** in each case in accordance with section 127 of the Corporations Act 2001 (Cth):

---

Signature of director

---

Signature of company secretary/director

---

Full name of director

---

Full name of company secretary/director

## ANNEXURE E: NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** by CVC Property Managers Limited (ACN 066 092 028) (**Current RE**) as responsible entity of CVC Property Fund (ARSN 107 276 184) (**Fund** or **CJT**) that a meeting of Unitholders will be held at Suite 601, Level 6, Goldfields House, 1 Alfred Street, Sydney NSW 2000 on 21 January 2015 at 12.00noon (AEDT).

Capitalised terms used in this Notice of Meeting and not otherwise defined have the meaning provided in the Circular to which this Notice of Meeting is annexed.

### 13.1 Agenda – Business of the Meeting

#### **Resolution 1: Appointment of new Responsible Entity**

To consider and, if thought fit, to pass the following resolution as a special resolution of the Unitholders:

*"That, subject to satisfaction of the Fundraising Condition and the passing of resolutions 2, 3, 4, 5 and 6 set out in this Notice of Meeting, with effect from ASIC updating the details of the Fund's registration to reflect that the New RE is the responsible entity of the Fund, for the purposes of clause 20.3 of the Constitution, Section 601FL of the Corporations Act and for all other purposes:*

- (a) *CVC Property Managers Limited (ACN 066 092 028) retires as responsible entity of the Fund;*
- (b) *subject to and upon the retirement of CVC Property Managers Limited (ACN 066 092 028) as responsible entity of the Fund, 360 Capital Investment Management Limited (ACN 133 363 185) is appointed as the new responsible entity of the Fund in its place; and*
- (c) *CVC Property Managers Limited (ACN 066 092 028) as responsible entity of the Fund is authorised to do all things necessary to give effect to this resolution, including without limitation, lodgement of all required notifications with the Australian Securities and Investments Commission."*

#### **Resolution 2: Increase in voting power of 360 Capital Group**

To consider, and if thought fit, pass the following resolution as an ordinary resolution of the Unitholders:

*"That, subject to satisfaction of the Fundraising Condition and the passing of resolutions 1, 3, 4, 5 and 6 set out in this Notice of Meeting, for the purposes of Section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for:*

- (a) *the acquisition of up to 434,782,609 Ordinary Units at a minimum price of 1.15 cents per Ordinary Unit in the Fund by the 360 Capital Property Limited (ACN 146 484 433) from the CVC Group; and*
- (b) *the consequential increase in the voting power in the Fund of 360 Capital Group, on the terms and conditions described in the Circular."*

#### **Resolution 3: Amendments to the Constitution for issue of A Class Units**

To consider and, if thought fit, to pass the following resolution as a special resolution of the Unitholders:

*"That, subject to satisfaction of the Fundraising Condition and the passing of resolutions 1, 2, 4, 5 and 6 set out in this Notice of Meeting:*

- (a) *the constitution of the Fund (**Constitution**) is modified to provide for the creation and issue of A Class Units in accordance with the "Supplemental Deed – CVC Property Fund" tabled at this meeting and signed by the Chairperson of this meeting for the purposes of identification (**Supplemental Deed**); and*
- (b) *the responsible entity of the Fund is authorised to execute the Supplemental Deed and lodge it with the Australian Securities and Investments Commission (**ASIC**) to give effect to the amendments to the Constitution so approved."*

#### **Resolution 4: The Trust Scheme**

To consider and, if thought fit, to pass the following resolution as an ordinary of the Unitholders:

*"That, subject to satisfaction of the Fundraising Condition and the passing of Resolutions 1, 2, 3, 5 and 6 in this Notice of Meeting, the proposal described in the Circular as the "Trust Scheme", under which the New Passive Fund will acquire all the Ordinary Units in the Fund on the terms provided in the Circular be approved for all purposes, including for the purposes of item 7 of Section 611 of the Corporations Act.*

#### **Resolution 5: Amendments to the Constitution for the Trust Scheme**

To consider and, if thought fit, to pass the following resolution as a special resolution of the Unitholders:

*"That, subject to satisfaction of the Fundraising Condition and the passing of Resolutions 1, 2, 3, 4 and 5 in this Notice of Meeting:*

- (a) *the Constitution is amended to provide for the "Trust Scheme"<sup>1</sup> in accordance with the "Supplemental Deed – CVC Property Fund" tabled at this meeting and signed by the Chairperson of this meeting for the purposes of identification (**Supplemental Deed**);*
- (b) *the responsible entity of the Fund is authorised to execute the Supplemental Deed and lodge it with the Australian Securities and Investments Commission (**ASIC**) to give effect to the amendments to the Constitution so approved; and*
- (c) *the responsible entity of the Fund is authorised to change the name of the Fund to the 360 Capital Total Return Sub-Fund."*

#### **Resolution 6: Listing Rule 11: Significant transaction**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of the Unitholders:

*"That, for the purposes of ASX Listing Rule 11.1.2, and all other purposes, approval is given for the significant change to the nature and /or scale of the activities of the Fund as described in this Circular, subject to satisfaction of the Fundraising Condition and the passing of Resolutions 1,2,3,4 and 5 in this Notice of Meeting."*

#### **Resolution 7: Removal of auditor and replacement of auditor**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Unitholders:

*"That, subject to satisfaction of the Fundraising Condition and the passing of Resolutions 1, 2, 3, 4, 5 and 6 in this Notice of Meeting:*

- (a) *the responsible entity of the Fund remove Mann Judd as auditor of the Fund and auditor of the compliance plan of the Fund;*

- (b) *the responsible entity of the Fund appoint Ernst & Young as auditor of the Fund and as auditor of the compliance plan to replace Mann Judd*

*and the responsible entity is required and authorized to make application to ASIC and do all other things necessary to effect the prompt removal and replacement of the auditor of the Fund and the auditor of the compliance plan of the Fund."*

By order of the board of directors of the Current RE



John Hunter  
Company Secretary  
Date: 9 December 2015

### 13.2 Voting Exclusions

- (a) CVC Group

Under the Corporations Act, CVC Limited (ACN 002 700 361) and CVC Mezzanine Finance Pty Ltd (ACN 110 359 692) and their respective associates are excluded from voting on the Resolution 2 and 4 and 6 as they have interests in the Proposed Transaction different to other Unitholders. ASX has determined that these entities are taken to be interested in any other Resolution which is interdependent with these Resolution.

Accordingly, as all Resolutions are interdependent the Current RE will disregard any votes cast on Resolution 1 to 7 by:

- (i) CVC Limited (ACN 002 700 361) and CVC Mezzanine Finance Pty Ltd (ACN 110 359 692); and
- (ii) any associate of any of those persons.

However, the Current RE need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

- (b) 360 Capital Group

360 Capital Group Limited (ACN 113 569 136), and the New RE do not currently hold any Ordinary Units in the Fund so shall not be eligible to vote on the Resolutions at the Meeting.

If, however, any of 360 Capital Group Limited (ACN 113 569 136) and the New RE acquire Units before the 19 January 2015 they and their respective associates shall also be excluded from voting on Resolutions 1 to 7.

Accordingly, the Current RE will disregard any votes cast on Resolutions 1 to 7 by:

- (i) 360 Capital Group Limited (ACN 113 569 136), and
- (ii) any associate of any of those persons.

However, the Current RE need not disregard a vote if:

- (iii) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (iv) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **13.3 Changing the time and date of the Meeting**

The Current RE reserves the right to postpone or adjourn the Meeting to a later time or date. If the Current RE makes such a determination, it will notify all Unitholders by placing an announcement on the ASX Announcements Platform and the Fund's website <http://www.cvc.com.au/cvctpf/>.

The Current RE will endeavour to notify Unitholders of any such postponement prior to the original date and time of the Meeting, however, the postponement of the Meeting will not be invalidated by the failure to do so.

### **13.4 Chairperson**

The Chairperson of the Meeting will be appointed pursuant to Section 252S of the Corporations Act.

### **13.5 Quorum**

The quorum necessary for the Meeting is two Unitholders (whether in person or by proxy).

### **13.6 Voting intentions of the Chairperson**

The Chairperson intends to vote any undirected proxies in favour of each Resolution.

### **13.7 Majority required**

An ordinary resolution will be passed if at least 50% of the votes cast by Unitholders (either in person or by proxy, attorney or corporate representative) entitled to vote on that resolution are cast in favour of that resolution. An ordinary resolution is required to pass Resolutions 2, 6 and 7.

A special resolution will be passed if at least 75% of the votes cast by Unitholders (either in person or by proxy, attorney or corporate representative) entitled to vote on that Resolution are voted in favour of that resolution. A special resolution is required to pass Resolutions 1, 3, 4 and 5.

### **13.8 Entitlement to vote**

All Unitholders appearing on the Register at 19 January 2015 AEDT are entitled to attend and vote at the Meeting (subject to any voting exclusions). Accordingly, any transfers registered after this time will be disregarded in determining entitlements to vote at the Meeting.

### **13.9 Bodies corporate**

A body corporate may appoint an individual as its representative to exercise any of the powers the body corporate may exercise at meetings of Unitholders of the Fund. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body corporate could exercise at the Meeting or in voting on any Resolution.

The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Current RE.

### **13.10 Jointly held interests**

If an interest in the Fund is held jointly, and more than one Unitholder votes in respect of that interest, only the vote of the Unitholder whose name appears first in the Fund's Register of Unitholders will count.

### **13.11 Appointment of proxy**

If you are entitled to vote at the Meeting you have a right to appoint a proxy and may use the proxy form enclosed with this Circular. The proxy does not need to be a Unitholder.

If you wish to appoint someone other than the Chairperson of the Meeting as your proxy, please write the name of that person in the appropriate box. Unitholders cannot appoint themselves. If you do not name a proxy, or your named proxy does not attend the Meeting, the Chairperson of the Meeting will be your proxy and vote on your behalf.

Your proxy has the same rights as you to speak at the Meeting and to vote to the extent you allow on the proxy form.

### **13.12 Voting directions to your proxy**

You may direct your proxy how to vote. Your proxy does not have to vote, but if your proxy does vote, your proxy must vote as directed. All your votes will be cast in accordance with your direction, unless you indicate only a portion of votes are to be cast on any item.

If you do not direct your proxy how to vote, your proxy will vote as he or she chooses (and if you appoint the Chairperson, the Chairperson will vote in favour of each Resolution). If you mark more than one box relating to a Resolution any vote by your proxy on that item may be invalid.

### **13.13 Appointing a second proxy**

If you are entitled to cast 2 or more votes you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you appoint 2 proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes (ignoring fractions).

### **13.14 Signing instructions**

A proxy form must be signed by the Unitholder or the Unitholder's attorney. Instructions for signing are on the proxy form. If a proxy is signed by an attorney and you have not previously lodged the power of attorney for notation, please attach a certified copy of the power of attorney to the proxy form when you return it.

### **13.15 Lodgement of proxies**

Proxy forms should be returned to the Current RE by no later than 12.00p.m. (AEDT) on 19 January 2015 by one of the following methods:

- (a) By facsimile to +61 2 9032 3088; or
- (b) By post or by hand to Gould Ralph Pty Limited, Level 42, Suncorp Place, 259 George Street, Sydney NSW 2000.

Proxy forms received after the due date specified above will not be valid for the Meeting.

### **13.16 Enquiries**

If you have any questions about this Circular, please contact the Current RE, or consult your licensed financial advisor, stockbroker or other professional adviser. If you have any questions about your holding of Units or other Registry matters, please contact Gould Ralph Pty Limited on +61 2 9032 3000.

# Corporate Directory

**Name**

CVC Property Fund  
ARSN 107 276 184  
ABN 32 224 732 497

**ASX code**

CJT

**Responsible Entity**

CVC Property Managers Limited  
(ACN 066 092 028; AFSL 229809)

**Directors of the Responsible Entity**

Mr Vanda Gould (Chairman)  
Mr Alexander Beard  
Mr Kim McGrath

**Secretary**

Mr John Hunter

**Address**

Level 6, Goldfields House  
1 Alfred Street  
SYDNEY NSW 2000

**Website**

<http://www.cvc.com.au/cvctpf/>

**Auditors to the fund**

HLB Mann Judd  
Chartered Accountants  
Level 19, 207 Kent Street  
SYDNEY NSW 2000

**Registry**

Gould Ralph Pty Limited  
Level 42  
259 George Street  
SYDNEY NSW 2000  
Tel: +61 2 9032 3000  
Fax: +61 2 9032 3088



# CVC Property Fund

ABN 32 224 732 497

ARSN 107 276 184

Registered Office: Level 6, Gold Fields House, 1 Alfred Street Sydney NSW 2000, Australia  
Phone: (02) 9087 8000 Fax: (02) 9087 8088

## PROXY FORM

I, .....

(FULL NAME, BLOCK LETTERS)

of .....

being a member of CVC Property Fund.

### SECTION A

HEREBY APPOINT .....

of .....

or, failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Fund to be held on 21 January 2015 at 12:00 noon (Sydney time), or at any adjournment thereof. The proxy so appointed shall represent all my/our voting rights except those (if any) specified in B below.

### SECTION B (DO NOT COMPLETE THIS SECTION UNLESS YOU WISH TO APPOINT TWO PROXIES)

AND I FURTHER APPOINT .....

of .....

as my proxy to vote for me/us and on my/our behalf at the said meeting or at any adjournment thereof. The proxy, appointed by this Section B, shall represent my/our voting rights in respect of ..... shares.

I/ we instruct my/our proxy to vote as indicated below in respect of the resolutions:

	A			B		
	For	Against	Abstain	For	Against	Abstain
<b>Resolution 1 – Appointment of new Responsible Entity</b>						
<b>Resolution 2 – Increase in voting power of 360 Capital Group</b>						
<b>Resolution 3 – Amendments to the Constitution for issue of A Class Units</b>						
<b>Resolution 4 – The Trust Scheme</b>						
<b>Resolution 5 – Amendments to the Constitution for the Trust Scheme</b>						
<b>Resolution 6 – ASX Listing Rule 11: Significant transaction</b>						
<b>Resolution 7 – Removal of auditor and replacement of auditor</b>						

The Chairman of the Meeting intends to vote all available proxies in favour of each resolution.

Signed this.....day of .....2014/2015 (circle appropriate year).

### Signature of Unitholders(s)

.....

Individual or Unitholder 1  
Sole Director/Company Secretary

.....

Unitholder 2  
Director

.....

Unitholder 3  
Director/Company Secretary