



ASX Announcement

22 March 2016

## Completion of New Funds Management Initiative

Further to the announcement on 25 February 2016 regarding the establishment of a new multi-asset managed fund, the Elanor Hospitality and Accommodation Fund ("Fund"), Elanor Investors Group ("ENN" or "Elanor") is pleased to announce that settlement of the acquisition of the Fund assets occurred on 21 March 2016.

The Fund comprises a portfolio of 6 Australian Hotels with strong, diversified cash flows and significant redevelopment potential.

The Fund was seeded by two Elanor owned properties, Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel. These assets were included in the Fund, based on independent valuations, at \$38.0 million and \$9.0 million respectively. This compares to the carrying value of Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel as at 31 December 2015 of \$37.0 million and \$8.5 million respectively.

ENN CEO, Glenn Willis, said: "Establishing the Fund reflects the achievement of a key strategic objective of ENN as it represents the inaugural seeding of a fund with Elanor owned properties. Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel are high investment quality assets with strong cash flows that underpin the forecast average distribution yield for the Fund. These assets have been held on balance sheet since ENN's securities were listed on the ASX in July 2014. At that time Peppers Cradle Mountain Lodge was valued at \$29.0 million and Mantra Wollongong Hotel was valued at \$7.1 million.

Importantly, ENN will continue to benefit from the performance of these two properties given it will hold a co-investment of approximately 40% of the Fund's equity.

ENN's Chief Investment Officer and Head of Hotels Tourism and Leisure, Marianne Ossovani, added: "The Fund brings ENN's funds under management to \$490 million. ENN's owned and managed assets have increased to approximately \$590 million from \$173 million at listing in July 2014."

The majority of the net proceeds that ENN receives from the transaction will initially be used to reduce debt. ENN is actively considering a pipeline of potential funds management and related co-investment opportunities.

### Overview of Elanor Hospitality and Accommodation Fund

<b>Seed Assets</b>	Peppers Cradle Mountain Lodge, Mantra Wollongong Hotel
<b>Acquired Assets</b>	Best Western Port Macquarie, Best Western Tall Trees, Mantra Pavilion Wagga Wagga, and Parklands Resort Mudgee
<b>Investment Size</b>	\$99.6 million (including transaction costs)
<b>Equity</b>	\$52.9 million
<b>Borrowings</b>	\$46.7million (50% of purchase price)
<b>Forecast Distributions</b>	Three year average forecast distribution yield of 13% p.a.
<b>Manager</b>	Elanor Funds Management Limited (AFSL 398196 / ACN 125 903 031)



### **Management Fee Arrangements**

The management fees payable to ENN as manager of the Fund are:

- Arrangement and acquisition fee: 1.0% of purchase price of the four new (non-seeded) assets, and 0.5% of purchase price of the two seeded assets, payable at settlement
- Ongoing base management fee: 1.0% of gross asset value of the Fund per annum, payable monthly
- Performance fee: 20% of Fund return (after all fees and expenses) above an IRR hurdle of 12.5%, plus 25% of Fund return (after all fees and expenses) above an IRR hurdle of 20%.

ENDS.

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