



ASX Announcement

3 December 2014

New Funds Management Initiative and Equity Raising

Elanor Investors Group ("ENN") is pleased to announce the establishment of four new managed funds (the "Bell City Funds") that have agreed to acquire Bell City, a landmark suburban Melbourne hotel, budget/student accommodation and commercial complex, located approximately 10 kilometres north of Melbourne's CBD.

Bell City will be acquired for a purchase price of \$142.9 million, which reflects an initial yield of 8.5% with significant income and capital growth potential.

ENN will manage the Bell City Funds and will receive upfront fees, investment management fees and performance fees.

ENN will also make a \$12 million co-investment in the Bell City Funds, which will align ENN with fund investors and also enable ENN to participate in returns from the asset.

ENN has today successfully completed a \$12.6 million institutional placement to fund its co-investment in Bell City.

Transaction Highlights

- Earnings accretive, on-strategy funds management initiative
- Highlights ENN's ability to originate attractive off-market acquisitions with significant upside potential
- Expected pre-tax return on ENN equity employed of approximately 21%¹
- Potential for ENN to benefit from performance fees in addition to the upfront acquisition fees and base management fees
- Substantial increase in ENN's funds under management

Summary of the Bell City transaction

Bell City is located approximately 10 kilometres north of Melbourne's CBD in the suburb of Preston. The property features 844 rooms (383 hotel & residences, 461 budget/student accommodation), conference and function facilities, commercial office building, restaurants and cafés, ancillary services and a substantial residential development site.

At settlement Mantra Group will be appointed the new Operator of the accommodation assets under a new Hotel Management Agreement.

The commercial office component of the asset will be leased back at completion to the vendor's serviced office business, Asia Pacific Serviced Offices.

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



Bell City includes a 7,600 sqm residential development site on the north east corner of the property that benefits from a council approved master plan for 377 apartments and 520 underground/basement car spaces.

The Bell City Funds have been established to acquire Bell City, with the four funds separately owning the (i) hotel (ii) budget/student accommodation (iii) office and (iv) development assets respectively. The investment structure allows for the efficient sell down of individual components of Bell City, if desired.

Speaking in relation to the Bell City transaction, ENN CEO, Glenn Willis, said: "We are very pleased to have secured Bell City and to have established the Bell City Funds. We believe Bell City represents an exciting opportunity for investors in both ENN and the Bell City Funds. The transaction is our second funds management initiative following the establishment of the 193 Clarence Hotel Syndicate in September 2014, and increases ENN's funds under management from \$87 million at our IPO in July to over \$250 million".

ENN's Head of Hotels, Tourism and Leisure, Marianne Ossovani, added: "Bell City will provide investors with a high distribution yield as well as strong potential for capital growth. We are pleased to have Mantra Group involved as the new operator for the accommodation assets at Bell City and we look forward to working with Mantra to realise the potential earnings upside in the asset".

Settlement of the Bell City transaction is expected by the end of December 2014.

The presentation released to ASX today by ENN provides more detailed information in relation to Bell City, the Bell City Funds and the financial impact of the acquisition on ENN.

Equity Raising

ENN has successfully completed an institutional placement of approximately 9.1 million new securities at an issue price of \$1.38 per security, raising approximately \$12.6 million (the "Placement"). Placement proceeds will be used to fund ENN's \$12 million co-investment in the Bell City Funds. New securities issued under the Placement will rank equally with existing securities in ENN.

The Placement was strongly supported by existing and new institutional investors.

The Placement was fully underwritten by Moelis Australia Advisory Pty Limited.

ENN also intends to undertake a Security Purchase Plan ("SPP") to provide eligible ENN securityholders in Australia and New Zealand the opportunity to acquire between \$5,000 and \$15,000 of ENN securities per securityholder, at the same issue price as the Placement. ENN will seek to raise up to \$1 million under the SPP. Further information regarding the SPP will be provided in due course.

ENDS.

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