



# KEY CAPITAL RETAIL FUND – NO.9

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Product Disclosure Statement  
21 November 2019



Key Capital has a 20-year track record with managing property trusts and provides investors a stable and value adding approach.

## CHAIR'S LETTER

## We are pleased to offer you the opportunity to invest in the Key Capital Retail Fund No.9.



Dear Investor,

We are pleased to offer you the opportunity to invest in Key Capital Retail Fund No.9 (**Fund**). You can participate in the Fund for a minimum investment of \$20,000.

Key Capital has a 20-year track record with managing property trusts. We provide investors with a stable and value-added approach.

Since 1994, Key Capital and associates have created \$140 million worth of property investments and launched 27 trusts on behalf of 500+ investors.

Key Capital co-invest with you. The Manager has no debt and adheres to capital adequacy requirements for a responsible entity prescribed by the Australian Securities & Investment Commission.

The Fund is a registered managed investment scheme holding a single property leased to a national retailer, Woolworths Limited trading as Dan Murphy's.

The Responsible Entity has secured a 12-year lease with one of Australia's largest retailers, Woolworths Group Limited trading as Dan Murphy's and the location of the property provides for long term capital growth.

Key features of the offer:

- > The Fund forecasts monthly income currently at 6.25% p.a.
- > Potential for capital growth.
- > Exposure to percentage rental growth and increasing sales from the store.
- > 100% Tax Deferred Income – Year 1.
- > Legal title to the property is held by Sandhurst Trustees, one of Australia's oldest and most trusted Custodians. Sandhurst Trustees will safeguard your investment at all times from other activities and projects of Key Capital.
- > New building with modern features, providing attractive depreciation benefits.

You should consider your financial objectives, situation and needs as well as the information in this document, before deciding to invest. Please obtain advice where appropriate.

It is important that you read this PDS carefully, including Section 4 on key risks relating to investing in the Fund, before making your decision to invest. You should consider seeking your own advice from a financial, taxation or other professional adviser.

I look forward to welcoming you as an Investor in the Fund.

Yours sincerely

**George Nikakis**  
Executive Chairman  
Key Capital Limited

## IMPORTANT INFORMATION

**This Product Disclosure Statement (PDS) relates to an offer to invest in Key Capital Retail Fund No.9 ARSN 635 964 804 (Fund). The Fund is a registered managed investment scheme under the Corporations Act 2001.**

### PRODUCT DISCLOSURE STATEMENT

This PDS is dated 21 November 2019. ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS.

This is an important document that needs your attention. You should read this PDS in full before deciding whether to invest in the Fund. If you are in doubt as to how to interpret or deal with this document, you should consider obtaining professional advice (such as from a financial adviser or stockbroker).

#### Responsible Entity and issuer of this PDS

Key Capital Limited (ACN 122 191 198, AFSL 287725) (KCL) in its capacity as responsible entity of the Fund (**Responsible Entity**) is the issuer of this PDS and the Units offered under this PDS.

#### Eligibility

The offer of Units made in this PDS (**Offer**) is available only to those persons receiving this PDS (electronically or otherwise) within Australia. No action has been taken to register Units or otherwise permit a public offering of Units in any jurisdiction outside Australia.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this PDS who are not in Australia should seek advice on, and observe any such restrictions in relation to, the distribution or possession of this PDS. Any failure to comply with any such restrictions may constitute a violation of applicable securities law.

Other than as permitted by law, investments in the Fund will only be accepted following receipt of a properly completed Application Form.

#### No cooling off period

No cooling off rights apply to an application for Units.

### Wrap accounts

The Responsible Entity authorises the use of this PDS as disclosure to indirect investors who access the Fund through an Investor Directed Portfolio Service (IDPS) or IDPS-like scheme (commonly known as a Wrap Account) or nominee or custody service (Wrap Account) and those investors (Indirect Investors) may rely on this PDS.

Indirect Investors do not become, or have the same rights as, direct investors. However, Indirect Investors will have access to the complaints handling procedures set out in section 10.4 to the same extent as if they were direct investors. The operator or custodian of the Wrap Account (Operator) will be recorded as the Unit Holder in the Fund's Unit Register and will be the person who may exercise the rights and receive the benefits of a Unit Holder. Reports and documentation relating to the Fund will be sent to the Operator instead of the Indirect Investor.

Indirect Investors may be subject to different rules and conditions from those set out in this PDS, particularly in relation to:

- > the application and transfer of Units;
- > fees and expenses; and
- > distribution calculation and timing of payments.

Indirect Investors using a Wrap Account should contact their adviser or Operator with any queries relating to an investment in the Fund.

### General information only

The information contained in this PDS is not financial product advice. The information contained in this PDS is general information only and does not take into account your investment objectives, financial situation and particular needs. It is therefore important that you read this PDS in full before deciding whether to invest in the Fund and take into consideration your investment objectives, financial situation and particular needs. If you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.

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### Disclaimer

An investment in Units is not an investment in, or a deposit with, or other liability of, the Responsible Entity and is subject to investment and other risks including possible delay in repayment and loss of income and capital invested. None of the Responsible Entity or any of its Directors, Officers or associates gives any guarantee or assurance as to the performance of the Fund or the underlying assets of the Fund, or the repayment of capital from the Fund or any particular rate of capital or income return.

You should only rely on the information in this PDS when deciding whether to invest in the Fund. No person is authorised to give any information, or to make any representation, in connection with the Fund that is not contained in this PDS. Any information or representation not contained in this PDS may not be relied upon as having been authorised by the Responsible Entity in connection with the Fund.

### PDS availability

This PDS may be viewed online at, or downloaded from, the Responsible Entity's website [keycapital.com.au](http://keycapital.com.au)

If you access the electronic version of this PDS, you should ensure that you download and read this PDS in full.

A paper copy of this PDS is available free of charge to any person in Australia by calling the Responsible Entity on (03) 9566 7218.

### Updated information

The information in the PDS is current as at the issue date but may change from time to time. Where information that changes is not materially adverse to investors,

the Responsible Entity will update this information by publishing changes at [keycapital.com.au](http://keycapital.com.au)

A paper copy of any updated information is available free of charge on request. The Responsible Entity will update the PDS if there is a materially adverse change to information contained in the PDS.

### Continuous disclosure

In accordance with ASIC Regulatory Guide 198 "Unlisted disclosing entities: Continuous disclosure obligations", the Responsible Entity advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Unit Holders may access material information regarding the Fund from the Responsible Entity's website at [keycapital.com.au](http://keycapital.com.au)

### Date of information

Unless otherwise specified, all financial and operational information contained in this PDS is stated as at the date of this PDS.

### Forward-looking statements

This PDS contains forward-looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied in such forward-looking statements.

Past performance is not a reliable indicator of future performance. The distribution forecasts are subject to the assumptions set out in Section 6.4.

# CONTENTS

<b>Chair’s Letter</b>	<b>1</b>
<b>Important Information</b>	<b>2</b>
Product Disclosure Statement	2
<b>01 Investment Overview and Important Dates</b>	<b>6</b>
<b>02 Fund Offer and Structure</b>	<b>9</b>
2.1 Investment Objectives and Initial Investment	9
2.2 The Offer	9
2.3 Term of The Fund and Exit Strategy	10
2.4 The Fund	10
2.5 Summary of ASIC Disclosure Principles and Benchmarks	13
<b>03 Property Overview</b>	<b>18</b>
3.1 Property Highlights	18
3.2 Property Description and Location	19
3.3 Tenancy and Lease Information	19
<b>04 Risks</b>	<b>20</b>
4.1 General Investment Risks	20
4.2 General Property Risk	20
4.3 Specific Property and Tenancy Risks	21
4.4 Fund Risks	21
<b>05 Fees and Other Costs</b>	<b>23</b>
5.1 Fees Associated with an Investment in the Fund	23
5.2 Additional Explanation of Fees and Costs	25
<b>06 Financial Information</b>	<b>27</b>
6.1 Forecast Income and Distribution Statement	28
6.2 Pro Forma Balance Sheet	29
6.3 Forecast Sources and Application Of Funds	29
6.4 Notes to the Financial Accounts	30
6.5 Best Estimate Assumptions	32
6.6 Sensitivity Analysis	32

<b>07</b>	<b>Tax Information</b>	<b>34</b>
7.1	Taxation for Australian Residents	34
7.2	Tax Treatment of the Fund	34
7.3	Tax Treatment of Unit Holders	34
7.4	Tax Losses Incurred by the Fund	35
7.5	Disposal Of Property and Capital Gains Tax	35
7.6	Capital Loss	35
7.7	Other Issues	35
<b>08</b>	<b>Independent Valuation of the Property</b>	<b>36</b>
	Extract 1	37
	Extract 2	38
	Extract 3	39
	Extract 4	41
<b>09</b>	<b>The Responsible Entity</b>	<b>42</b>
9.1	Key Capital Limited	42
9.2	The Directors of KCL	42
<b>10</b>	<b>Additional Information</b>	<b>43</b>
10.1	Fund Constitution	43
10.2	Role As Responsible Entity	44
10.3	Related Party and Conflicts of Interest Policy	45
10.4	Complaints Handling	45
10.5	Privacy Statement	45
10.6	Custodian	46
10.7	Debt Facility Details	46
10.8	Valuation Policy	46
10.9	Naming Consents	46
10.10	Anti-Money Laundering and Counter Terrorism Financing	46
10.11	Labour Standards, Environmental, Ethical Considerations	47
10.12	Future Issues of Units	47
10.13	Unit Holder Enquiries and Additional Information	47
<b>11</b>	<b>Glossary</b>	<b>48</b>
<b>12</b>	<b>Forms</b>	<b>50</b>

# 01 INVESTMENT OVERVIEW AND IMPORTANT DATES

	Detail	Section
<b>IMPORTANT DATES</b>		
<b>Offer opening date</b>	21 November 2019	2.2
<b>Offer closing date</b>	The Offer will remain open until the Total Offer Amount is reached <sup>1</sup> .	2.2
<b>Issue of Units</b>	Units will be issued on 1 December 2019, and on the 1st of the month thereafter. The Offer is expected to be over-subscribed and the Responsible Entity is under no obligation to issue you with any Units or the full amount of Units applied for in the event the Fund is over-subscribed. Investors will be prioritised on a first in basis to determine the Unit register.	2.2
<b>First distribution</b>	The first distribution will be for the period ending 15 December 2019 and is anticipated to be paid on or around 15 December 2019. Distributions will be paid monthly on or around the 15th of the month.	2.4
<b>KEY OFFER DETAILS</b>		
<b>Total offer amount</b>	Up to \$3 million	2.2
<b>Issue price</b>	The issue price for Units offered under this PDS is \$1.00 per Unit. This is the amount you are required to pay when you submit an Application Form.	2.2
<b>Minimum application amount per investor</b>	20,000 Units (\$20,000) <sup>2</sup> .	2.2
<b>KEY FUND FEATURES</b>		
<b>Investment objective</b>	The Fund aims to provide investors with regular, reliable and considerably tax deferred income, with the potential for capital growth, through an investment in a modern, freestanding retail property in Wangaratta, Victoria.	2.1
<b>Fund type</b>	A single asset, closed-end, unlisted property trust.	2.1
<b>Forecast distributions</b>	The Responsible Entity has forecast distributions from the Fund of 6.25% per annum during the Forecast Period, subject to the assumptions set out in Section 6.4 of this PDS.	2.4
<b>Distribution frequency</b>	The first distribution will be made for the period ending 15 December 2019. Thereafter, distributions will be paid monthly.	2.4
<b>Tax deferred</b>	The Responsible Entity anticipates that the Fund's distributions for the Forecast Period will be 100% tax deferred in FY 2019/20.	2.4
<b>Forecast period</b>	FY 2019/20	6

1. The Responsible Entity may close the Offer at an earlier time in its discretion.

2. The Responsible Entity may waive or vary the Minimum Application Amount in its discretion.



ISSUE PRICE PER UNIT	MINIMUM APPLICATION AMOUNT PER INVESTOR	FORECAST DISTRIBUTIONS PER ANNUM	TERM OF THE FUND
<b>\$1.00</b>	<b>\$20,000</b>	<b>6.25%</b>	<b>2023</b>

	<b>Detail</b>	<b>Section</b>
<b>Term of the fund</b>	<p>The initial term is scheduled to run to July 2023.</p> <p>The Responsible Entity may terminate the Fund earlier if it considers that would be in the best interests of Unit Holders, for example taking advantage of a selling opportunity.</p> <p>The Fund automatically renews for a three year period at the end of the initial term, unless the Responsible Entity determines that the Property may be marketed for sale for a price which is not less than \$6 million, and an Ordinary Resolution of Unit Holders is passed to approve the sale of the Property and the termination of the Fund.</p> <p>At the end of the three-year automatic renewal term, the Responsible Entity can further extend the term of the Fund with the approval of Unit Holders by Ordinary Resolution.</p> <p>The Fund should be considered illiquid. Except as set out above, the Responsible Entity does not intend to provide for any redemption or withdrawal facility to be available during the term of the Fund.</p>	2.3
<b>Responsible Entity</b>	Key Capital Limited ACN 122 191 198; AFSL 2887725 is the Responsible Entity (KCL or Responsible Entity).	9
<b>Investment strategy</b>	<p>To achieve the Fund's investment objective, the Responsible Entity proposes to, where possible:</p> <ul style="list-style-type: none"> <li>&gt; Manage the investment to provide stable income;</li> <li>&gt; Oversee day to day property or investment related activities; and</li> <li>&gt; Value-add and/or risk manage the investment, taking into account local and broader economic factors that could impact the investment over the investment term.</li> </ul>	2.1
<b>Debt finance</b>	<p>The Responsible Entity on behalf of the Fund has secured initial borrowings of \$2.53 million loan from Westpac Banking Corporation (Bank) for a period of approximately three to four years (Debt Facility).</p> <p>The Debt Facility will be secured by a first ranking mortgage over the Property and a General Security Agreement in respect of all the assets of the Fund.</p>	10.7
<b>NTA per unit</b>	The initial Net Tangible Asset (NTA) per Unit is forecast to be \$0.94 <sup>3</sup> .	2.4
<b>PROPERTY OVERVIEW</b>		
<b>The Property</b>	7 Baker Street, Wangaratta, Victoria, provides investors an opportunity to acquire the site over 4,000 sq.m. Development application has been approved, including a new modern building of 1,280 sq.m of retail space. The Property is well located for mixed use development.	3.2
<b>Location</b>	The Property is located at 7 Baker Street, Wangaratta.	3.2
<b>Asset type</b>	Freestanding retail property and new building with attractive depreciation benefits and stamp duty concession for investors.	3.2
<b>Net lettable area</b>	1,280 sq.m	3.2

3. Refer to Section 6 for relevant assumptions.



The above image is for illustration purpose.

	Detail	Section
<b>Tenant</b>	Woolworths Group Limited trading as Dan Murphy's	3.3
<b>Lease and option to renew</b>	12-year leasehold with Dan Murphy's (Options: 10 terms of five years)	3.3
<b>Valuation</b>	\$5.275 million as complete under an independent valuation performed by Knight Frank, dated March 2019.	8
<b>RISKS</b>		
<b>Risk types</b>	As with most investments, the future performance of the Fund can be influenced by a number of factors that are outside the control of the Responsible Entity. The key risks are discussed in Section 4 and include: <ul style="list-style-type: none"> <li>&gt; General investment risks – including a downturn in general economic and market conditions, unfavourable movements in interest rates, employment rate or inflation, changes to the law and natural disasters, including terrorist attack or war. 4.1</li> <li>&gt; General property investment risks – including the risk that property values decline and the risk that there is a decrease in Fund income. 4.2</li> <li>&gt; Specific property and tenancy risks – including higher capital expenditure than initially budgeted for, vacancy or the tenant's failure to make payments of rent and outgoings. 4.3</li> <li>&gt; Fund risks – including risks associated with debt financing, use of counterparties and gearing, interest rate exposure, legal, taxation and stamp duty changes, other regulatory changes, lack of portfolio diversification and unexpected litigation. 4.4</li> </ul>	
<b>FEES<sup>4</sup></b>		
<b>Fees</b>	Refer to section 5 for fees and costs associated with an Investment in the Fund	5

4. Net of the effect of GST (i.e. inclusive of GST less any input tax credits including reduced input tax credits).

## 02 FUND OFFER AND STRUCTURE

**The Fund's aim is to provide Unit Holders with regular, reliable and considerably tax deferred income, through an investment in the Property, with the potential for capital growth.**

### 2.1 INVESTMENT OBJECTIVES AND INITIAL INVESTMENT

The Responsible Entity believes that the Property meets the Fund's investment objective to:

- > Own a modern freestanding retail property.
- > Land site over 4,000 sq.m, and with new modern building with 1280 sq.m of retail space.
- > Provide a distribution of 6.25% per annum, paid monthly.
- > Provide attractive depreciation benefits, with 100% tax deferred in Year 1.
- > Invest in a growing and well-established regional city of the state of Victoria.
- > Have the Fund maintain a conservative loan to value ratio (LVR) of less than 55% at all times. At the commencement of the Fund, the LVR is less than 50%, as measured by drawn funds.

To achieve the investment objective for new investors, the Responsible Entity will purchase the Property from Key Capital Property Syndicate No. 3 ARSN 121 439 129 (KCL 3). The Fund expects to pass on stamp duty savings to Investors when compared with the purchase on market. The Fund's largest investor at the time of this Offer will be KCL 3 and they will retain a maximum of 20% of the Units on issue.

New Investors will receive their Units on the date of development of the Property being completed and the Property being leased. It is expected that the Units will be allotted on 1 December 2019, and on the 1st of the month thereafter. The money you deposit with the Fund will be held in a Westpac Business Account in the name of Sandhurst Trustees as Custodian until the Property is finished. At no time are your funds being used to pay the builder.

### 2.2 THE OFFER

The Offer comprises up to \$3 million Units at an Issue Price of \$1.00 per Unit (the Offer). The Offer will open on 21 November 2019. Proceeds of the Offer will be used to acquire the Property.

#### Offer closing date

This is expected to be the date the Responsible Entity has raised the Total Offer Amount. However, the Responsible Entity may close the Offer at an earlier time.

#### Minimum investment

A minimum of 20,000 Units (\$20,000) must be applied for under the Offer (Minimum Application Amount).

The Responsible Entity may waive the Minimum Application Amount requirement at its discretion. It does not intend to accept additional applications once the Total Offer Amount has been raised and may scale back any application for Units or reject in full any application pursuant to this Offer.

#### Cooling off rights

As the Fund will be 'illiquid' for the purposes of the Corporations Act, no cooling off rights are available to investors.

#### Transferring Units

There is no redemption or withdrawal facility for Unit Holders and therefore an investment in the Fund should be considered illiquid.

Unit Holders will be able to transfer their Units to a third party in accordance with the Constitution. Transfers will not be effective until registered by or on behalf of the Responsible Entity. The Responsible Entity may refuse to register any transfer of Units.

## 2.3 TERM OF THE FUND AND EXIT STRATEGY

The initial term of the Fund is expected to end on or about July 2023.

The Responsible Entity may terminate the Fund earlier if it considers that would be in the best interests of Unit Holders, for example taking advantage of a selling opportunity.

The Responsible Entity can terminate the Fund at the end of the initial term, where it determines that the Property can be marketed for sale at no less than \$6 million, but only if it receives Unit Holder approval. Under this circumstance, Unit Holders must pass an Ordinary Resolution to approve:

- (a) the sale of the Property at a price of no less than \$6 million; and
- (b) termination of the Fund.

Where the Responsible Entity does not make a determination that the Property can be marketed for sale at no less than \$6 million, the Fund automatically extends for a period of three years at the end of the initial term.

At the end of the three-year automatic renewal term, the Responsible Entity can further extend the term of the Fund with the approval of Unit Holders by Ordinary Resolution.

An Ordinary Resolution requires at least 50% of the votes cast by Unit Holders entitled to vote, to be voted in favour of the resolution.

Any applicable Liquidity Event will be determined by the Responsible Entity, at the relevant time, having regard to all relevant circumstances. The Liquidity Event may be funded or provided by a related party of the Responsible Entity.

## 2.4 THE FUND

The Fund is a unit trust. Investor's money is pooled and used by the Responsible Entity on behalf of the Fund to own the Property and other assets. The Fund has used debt to assist in the purchase of the Property. Each Unit will provide a beneficial interest in the Fund's net assets, including the Property.

### Responsible entity

KCL is the Responsible Entity of the Fund, and the issuer of this PDS and the Units to be issued under this PDS.

The board of KCL comprises three Directors, including the Chairman.

For further information on KCL and each Director, see Section 9.

### Distribution policy

The Responsible Entity intends that the Fund will make distributions every month, with the record dates for such distributions being each month of the year. The first distribution is anticipated to be made after the period ending 15 December 2019.

Distribution entitlement for a Unit Holder is calculated by reference to the number of Units held by the Unit Holder.

Thereafter, distributions will be paid monthly in arrears to all Unit Holders who are on the register at the distribution calculation date.

The forecast annualised cash distributions during the Forecast Period are based on the assumptions set out in Section 6 and are:

FY 2019/20	6.25% per unit
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All distributions will be paid by electronic funds transfer direct into a nominated Australian bank account or an account with a financial institution (where there is a branch in Australia). Distributions will not be paid by cheque.

The Responsible Entity intends that distributions will generally be made in line with the Fund's cash from operations that are available for distribution. However, in accordance with the Constitution, distributions could from time to time include a return of capital, or a portion of the cash from operations that is available for distribution. In some circumstances, distributions may be withheld in one period to smooth distributions and/or provide working capital for future periods.

The Responsible Entity will provide Unit Holders with an annual tax statement each year. The statement will summarise the distributions paid/payable in respect of that income year and the tax components, including any tax deferred component of that distribution.

Changes in interest rates, the level of gearing and other risk factors may influence the actual distribution or the tax deferred component of a distribution. Neither the Responsible Entity, nor the Custodian, or their Directors guarantee returns from the Fund. See Section 6 for further details on distributions and Section 4 on the key risks associated with distributions.

It is expected that Fund income will be primarily derived from rental income.

### Tax deferred

The tax deferred portion of the forecast distribution for the Forecast Period is estimated to be<sup>5</sup>:

FY 2019/20	100%
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See Section 7 Tax Information.

<sup>5</sup> Refer to Section 6 for relevant assumptions.

## Risks

As with most investments, the future performance of the Fund can be influenced by a number of factors that are outside the control of the Responsible Entity. Important information regarding the risks associated with an investment in the Fund is set out in Section 4.

The key risks include:

- > General investment risks: including a downturn in general economic and market conditions, unfavourable movements in interest rates, the employment rate or inflation, changes to the law and natural disasters, including terrorist attack or war.
- > General property investment risks: including the risk that property values decline and the risk that there is a decrease in Fund income.
- > Specific property and tenancy risks: including higher capital expenditure than initially budgeted for or the tenant's failure to make payments of rent and outgoings.
- > Fund risks: including risks associated with debt financing, use of counterparties and gearing, interest rate exposure, legal, taxation and stamp duty changes, other regulatory changes, lack of portfolio diversification and unexpected litigation.

## Valuation and Valuation Policy

The Responsible Entity has, and complies with, a Valuation Policy for the Fund. The Valuation Policy requires that:

- > The Property must be valued by independent valuers.
- > There is a limit of three continuous valuations from the one valuer.
- > The Property must be valued at the request of the financier at any time.

The Responsible Entity intends that the Property will be valued in the first three years of the Fund, and subsequently, from time to time, at a date to be determined by the Responsible Entity.

The Responsible Entity may have the Property independently revalued at other times when it believes there has been a significant change in the value, or it is required under the Debt Facility.

The Property was independently valued at \$5.275 million as complete in March 2019 by Knight Frank. The valuation has been determined using *As if Complete – Capitalisation and direct comparison approaches*. A summary of this valuation is set out in Section 8 and the risks associated with the valuation are outlined in Section 4.

A copy of the Responsible Entity's Valuation Policy can be obtained by contacting the Responsible Entity.

## Net tangible assets

The net tangible assets (NTA) is calculated as the total assets of the Fund, minus any intangible assets, less all liabilities. The Fund's NTA is shown on a per Unit basis. The NTA is calculated in accordance with the following formula:

$$\text{NTA} = \frac{\text{Net assets-intangible assets} \pm \text{any other adjustments}}{\text{Number of units in the scheme on issue}}$$

NTA is calculated using information contained in the pro forma balance sheet of the Fund (Section 6).

The Fund has a forecast NTA per Unit of \$0.94 at 1 December 2019<sup>6</sup>.

## Debt facility

Under the Debt Facility, the Responsible Entity, on behalf of the Fund, has initially borrowed \$2.531 million from the Bank, and has additional funds available in redraw with a maximum of 55% LVR on \$2.9 million.

The borrowings are secured by all assets of the Fund. Further details of this loan are set out under Debt Facility in this Section and in Section 10.7.

The loan term is for approximately three years. It matures on or before 30 November 2022. Interest payments will be paid from 1 January 2020. On maturity, the loan is anticipated to be refinanced or repaid from proceeds from the sale of the Property.

## Gearing

The amount of debt the Fund has borrowed compared to the gross assets of the Fund is referred to as gearing. Gearing both increases the potential returns to Unit Holders, as well as potential losses. The higher the gearing, the greater the potential risk.

The Gearing Ratio and Interest Cover Ratio (see below) both indicate the potential risks faced by the Fund as a result of its borrowings due to, for example, an increase in interest rates or a decrease in property value.

The repayment of loan principal and interest ranks ahead of investors' equity in the Fund. Payment of interest on borrowings must be funded before any distributions to investors. As a result, the borrowing terms and conditions are important factors to consider.

The risks associated with gearing are further set out in Section 4.

6. Refer to Section 6 for relevant assumptions.

### Gearing ratio

The Gearing Ratio at 1 December 2019 is forecast to be 47% using the following formula and the financial information found in Section 6:

$$\text{Gearing Ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

A copy of the gearing policy and interest cover ratio policy can be obtained by contacting the Responsible Entity.

### Interest cover ratio

During the term of the Debt Facility, interest is paid on the principal amount of the loan from the earnings of the Fund. The ratio between earnings and interest is called the interest cover ratio (ICR). The lower the ICR the greater the associated risk.

The ICR at 30 June 2020 is estimated to be 3.1 using the following formula and based on the financial information found in Section 6.

$$\text{Interest Cover Ratio} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

The EBITDA (earnings before interest, tax, depreciation, straight lining of rentals and amortisation) and interest expense used in the calculation are based on a number of assumptions set out in the financial information in Section 6.

The ICR measures the ability of the Fund to meet its interest payments on borrowings from its earnings.

The Fund expects the ICR to be maintained above 2.0 during the Forecast Period.

### Interest rates and hedging

The Responsible Entity intends to actively manage interest rate risk in order to reduce interest expense volatility as part of its capital management strategy.

Further information about the interest rate is set out under Finance Costs in Section 6.4.

### Related party transactions

The Responsible Entity must:

- > act in the best interests of its Unit Holders and meet its other fiduciary obligations.
- > act on a commercial arm's length basis at all times, particularly if the counterparty to a transaction is a related party.
- > comply with all legal and compliance requirements.

The Responsible Entity will purchase the Property from KCL 3, which has also provided debt funding for the Property. In consideration for the purchase of the vacant land and any improvements at the time of this offer, the Fund issued 2,585,000 Units at \$1.00 per Unit to KCL 3. The Fund will borrow up to \$2.7 million with a construction debt facility to develop the Property. KCL 3 will provide a guarantee for the duration of the construction loan.

The Responsible Entity has a written policy with regard to related party transactions and complies with this policy. For more detail on the Responsible Entity's policy and procedures for related party transactions, please contact the Responsible Entity. Information about the risks of related party transactions can be found in Section 4.4.

The Responsible Entity has policies and processes in place to manage the risk of any actual or perceived conflict of interest as a result of a related party transaction.

### Unit Holder communications

If you invest directly into the Fund, and not through a Wrap Account, the Fund's Registry will provide you with a:

- > **Confirmation Statement** – specifying details relating to your initial investment.
- > **Distribution Statement** – an annual distribution statement detailing the distribution amount for the financial year.
- > **Regular Reporting** – annual and half yearly reports updating the Fund's operations and updates on any important Fund activities. The annual reports will include financial reports including audited financial statements for the 12-month period ending 30 June.
- > **Tax Statement** – an annual tax statement setting out the Fund's tax position following completion of the annual accounts in September of the following year.

Regular reporting, including the Annual Report and Audited Financial Accounts, will be available on the Responsible Entity's website, [keycapital.com.au](http://keycapital.com.au) and will be sent electronically to you if you have elected to receive it by email. Paper copies of these reports will not be sent out unless you have requested this on the Application Form or in writing to us.

## 2.5 SUMMARY OF ASIC DISCLOSURE PRINCIPLES AND BENCHMARKS

ASIC has established eight disclosure principles and six benchmarks that responsible entities of unlisted property schemes are required to disclose against. These principles and benchmarks are set out in ASIC Regulatory Guide 46 (RG 46).

These disclosure principles were introduced to help investors to understand the key characteristics of unlisted property schemes and assess associated risks by clarifying the disclosure requirements of the law.

The Responsible Entity aims to provide clear, concise and effective disclosure in this PDS. The table below summarises the information required under RG46 and provides a PDS cross reference for more detailed information in relation to the relevant benchmarks and disclosure principles. Information about associated risks can be found in Section 4.

### Benchmark and disclosure principles

### Description

#### GEARING

Benchmark 1 addresses a scheme's policy on gearing at an individual credit facility level.

#### Benchmark 1: Gearing Policy

Key Capital has a written policy that governs the level of gearing at an individual credit facility level for the Fund. The policy provides that the gearing of the Fund will be managed carefully and must not exceed 55%, with gearing being calculated as borrowings divided by the current valuation of the Property.

Disclosure principle 1 addresses disclosure of the gearing ratio of the scheme, the calculation of the ratio and its explanation.

#### Disclosure Principle 1: Gearing ratio

The gearing ratio of the Fund is currently 47%. The gearing ratio represents the extent to which the assets of a fund are financed by debt. The higher a fund's gearing ratio the greater its reliance on external liabilities (primarily borrowings) to finance the assets. A higher gearing ratio may also expose a fund to increased costs if interest rates rise or property values decrease. A highly geared fund generally has a lower asset buffer to rely upon in times of financial stress.

The Fund's gearing ratio is calculated as:

$$\text{Gearing Ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

Investors can use the gearing ratio to assess the potential risks associated with an investment in a fund in the event interest rates rise or property values decrease; and to compare the risk associated with a fund's return on investment to other similar products.

The Fund does not have any off-balance sheet financing.

#### INTEREST COVER

Benchmark 2 addresses a scheme's policy on the level of interest cover at an individual credit facility level.

#### Benchmark 2: Interest cover policy

Key Capital has a written policy that governs the level of interest cover at an individual credit facility level for the Fund.

The policy provides that the Key Capital will not undertake any borrowing which would cause the Fund's interest cover ratio to fall below 1.5 times.

The Fund is currently complying with the policy.

**Benchmark and disclosure principles**

**Description**

**INTEREST COVER  
(CONTINUED)**

Disclosure principle 2 addresses disclosure of the Interest Cover Ratio of the scheme, the calculation of the ratio and its explanation.

**Disclosure Principle 2 – Interest cover**

The Fund's interest cover is estimated to be 3.1 as at 30 June 2020. This figure indicates that the Fund currently has sufficient earnings to satisfy interest payments.

$$\text{Interest Cover Ratio} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

EBITDA means earnings before interest, tax, depreciation and amortisation.

Investors may use an interest cover ratio to assess a fund's ability to meet ongoing interest payments and therefore service debt. The lower the interest cover, the higher the risk a fund will not be able to meet its interest payments. A fund with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments.

**INTEREST CAPITALISATION**

Benchmark 3 addresses whether the interest expense of a scheme is capitalised.

**Benchmark 3: Interest capitalisation**

The interest expense of the Fund is not capitalised. The interest expense of the Fund is being paid from the rental revenues received from the Property held in the Fund.

**SCHEME BORROWING**

Disclosure principle 3 addresses disclosure of the scheme's credit facilities, including the circumstances in which credit facility covenants will be breached.

**Disclosure Principle 3: Scheme borrowing**

The Fund will secure a Business Markets – Flexible Rate Loan from Westpac Bank. The total facility limit will be \$2.9 million. This facility is initially drawn to \$2.53 million. The facility will be secured by first mortgage held over the Property and a General Security Agreement in respect of all the assets of the Fund.

Key Capital is compliant with the LVR loan covenant imposed by the Fund's lender in relation to the Fund's borrowings and our policies. Key Capital is required to maintain an LVR of 55%.

Key Capital is compliant with the interest times cover loan covenant imposed by the Fund's lender in relation to the Fund's borrowings and our policies. Key Capital is required to maintain an interest time's cover of no less than 2.0 times. The facility is unhedged.

Investors' interests in the Fund will rank behind lenders and unsecured creditors of the Fund. This means, if the Fund was to be wound-up, then the Fund's lenders and unsecured creditors would be repaid first, before any capital or outstanding distributions were paid to investors.

The bank loan is a variable interest rate and subject to market fluctuation. The loan interest rate is currently between 3.20% – 3.60%.

The Constitution and the Corporations Act give Unit Holders certain powers. In particular, the requisite number of Unit Holders may call a meeting to consider resolutions to amend the Constitution, terminate the Fund or remove Key Capital as responsible entity. The exercise of those powers without the consent of the Bank will lead to events of default under the Fund's finance facility and in certain circumstances will give the Bank rights to, amongst other things, call for immediate repayment of the amounts outstanding.



**Benchmark and disclosure principles****Description****VALUATIONS**

Benchmark 4 addresses the way in which valuations are carried out by a responsible entity in relation to the scheme's assets.

**Benchmark 4: Valuation policy**

Key Capital has, and complies with, a valuation policy for the Fund. Amongst other things the policy provides that:

- (a) the Fund's properties will be independently valued every three years or as when required by the Fund's credit provider;
- (b) all independent valuations are to be carried out by appropriately qualified valuers, independent of Key Capital, who are registered in the relevant State or otherwise be a member of an appropriate professional body in that jurisdiction and have a minimum of five years relevant experience;
- (c) valuers are to be instructed to undertake their valuation in accordance with industry standards and to outline their valuation methodology within the valuation report; and
- (d) valuers will not undertake more than two consecutive full valuations of the Property.

Key Capital believes that using independent valuers (with valuers being required to confirm their independence as part of their valuation report) and ensuring that the valuers are rotated in accordance with the valuation policy, will best address any potential conflicts of interest that might arise.

**PORTFOLIO DIVERSIFICATION**

Disclosure principle 4 addresses disclosure of the scheme's assets, including specific information about development assets.

**Disclosure Principle 4: Portfolio diversification**

Generally, the more diversified a fund's portfolio is, the lower the risk that an adverse event affecting one property, or one lease will materially affect the fund's performance.

The current composition of the portfolio is:

Number of properties	1
Weighted average lease expiry (WALE)	12 years (see details below)
Geographical location	Victoria
Sector	Commercial

The table below sets out relevant information on the property held by the Fund:

Property	7 Baker Street, Wangaratta
Valuation	\$5,275,000
Valuer	Knight Frank Valuation and Advisory Victoria
Date of Valuation	4 March 2019
Cap Rate	5.25%
Lease Expiry Profile	12 years
Tenant	Woolworths Group Limited Trading as Dan Murphy's
% of Portfolio	100%
The current composition of the Fund's property investment portfolio by lease expiry in yearly periods calculated based on income.	100 % lease expiry 2031.

**Benchmark and disclosure principles**

**Description**

**RELATED PARTY TRANSACTIONS**

Benchmark 5 addresses a responsible entity’s policy on related party transactions.

**Benchmark 5: Related party transactions**

Key Capital has a policy on related party transactions and conflicts of interest, to ensure related party transactions are assessed and monitored as rigorously as arm’s length third party transactions.

Key Capital’s related party transaction policy identifies instances where conflicts of interest may arise in relation to the Fund. Key Capital’s policy includes an assessment and approval by the Board before related party transactions can be entered into.

Where a potential conflict is identified it must be reported to the Managing Director for assessment. The conflict will be assessed as either “minor”, “intermediate” or “serious”. The Chairman is then responsible for resolving the conflict but may refer the matter to the Board for a determination.

All decisions in relation to conflicts of interest and all related party transactions must be documented, compliance with the policy must be considered by the Board quarterly and the related party transaction policy and all related party transactions must be reviewed annually.

Disclosure principle 5 addresses disclosure about related party transactions.

**Disclosure Principle 5: Related party transactions**

Key Capital has entered into the following related party transactions:

- > Key Capital has appointed a related entity, Retail Leisure & Life, to provide various services to the Fund, including asset management, property management, and to generally administer the Property. Retail Leisure & Life performs these services for a fee which is 3% of income and is payable monthly in arrears.
- > KCL 3 and related parties will own 100% of the Units at the commencement of the Offer. At the completion of the capital raising period, KCL 3 and related parties will own between 20% to 50%.

These related party transactions were entered into and are monitored in compliance with Key Capital’s related party transactions and conflicts of interest policy. In the view of the Board of Key Capital, none of the transactions above have created any additional risk for the Fund’s investors.

**DISTRIBUTION PRACTICES**

Benchmark 6 addresses a scheme’s practices for paying distributions from cash from operations available for distribution.

**Benchmark 6: Distribution practices**

The Fund will in the long term only pay distributions from its cash from operations (excluding borrowings) available for distribution. In the first forecast period the Responsible Entity may elect to use cash available from borrowings to pay distributions due to the timing constraints associated with the receipt of the forecast % rent.

Disclosure principle 6 addresses where distributions are sourced from and whether forecast distributions are sustainable.

**Disclosure Principle 6: Distribution practices**

Key Capital forecast distributions from the Fund to members of 6.25% (annualised). This is in line with the distribution policy.

Other than for the first distribution period, for which the Responsible Entity may elect to use cash from borrowings to pay distribution due to timing constraints associated with the receipt of the forecast rent, cash from operations (excluding borrowings) will be the source of distributions.

The Responsible Entity considers that the forecast distributions are sustainable over the next 12 months.

<b>Benchmark and disclosure principles</b>	<b>Description</b>
<b>WITHDRAWAL ARRANGEMENTS</b>	
Disclosure principle 7 addresses disclosure of the withdrawal arrangements within the scheme and risk factors that may affect the unit price on withdrawal.	<p><b>Disclosure principle 7: Withdrawal arrangements</b></p> <p>The Fund is illiquid. The initial term is expected to end on or about July 2023, unless the Responsible Entity considers it to be in the best interests of Unit Holders to terminate the Fund early. Because the Fund is illiquid, there will be no ‘cooling off’ period relating to applications or any right to withdraw during the term of the Fund.</p> <p>Unit Holders will not be able to withdraw from the investment until the Property is sold and the Fund wound up.</p>
<b>NET TANGIBLE ASSETS</b>	
Disclosure principle 8 addresses disclosure of the Net Tangible Asset (NTA) backing per unit of the scheme	<p><b>Disclosure Principle 8: Net tangible assets</b></p> <p>A net tangible asset (‘NTA’) is calculated using information from the Fund’s latest audited financial statements and using the following formula:</p> $\text{NTA} = \frac{\text{Net assets-intangible assets} \pm \text{any other adjustments}}{\text{Number of units in the scheme on issue}}$ <p><b>As at 1 December 2019, the Fund is forecast to have an NTA per unit \$0.94 (before tax).</b></p> <p>The Fund’s NTA expressed on a per Unit basis may be used as an approximate measure of what a Unit Holder could expect to receive for their Units if the Fund were wound up at that time. To the extent that the NTA at any time is less than the price paid for a Unit, it is also an approximate measure of the risk of a capital loss.</p>

Updates about any material changes to the matters listed in this table will be provided at [keycapital.com.au](http://keycapital.com.au)

# 03 PROPERTY OVERVIEW

## 3.1 PROPERTY HIGHLIGHTS



7 Baker Street, Wangaratta is leased to national retailer, Dan Murphy's



Built by local established builder Browns Wangaratta



Modern and newly built retail showroom costing approx. \$3,000,000 will provide tax benefits



1,300 sq.m of retail space with site purpose built



The site comprises a parcel of land of over 4000 sq.m in the Wangaratta CBD



High quality finishes, professional landscaping and A-Grade retail property opportunity



Store is opening for Christmas trading in 2019



### 3.2 PROPERTY DESCRIPTION AND LOCATION

The property was built in October 2019 and is located at 7 Baker Street, Wangaratta.

### 3.3 TENANCY AND LEASE INFORMATION

Leasehold	Lease Term	Base Rent	% Rent
Woolworths Group Limited trading as Dan Murphy's	12 Years	\$325,000	2.75% of sales between the break-even threshold and \$13,820,000 p.a.
If you would like more information regarding the lease, please contact Key Capital Limited			

## 04 RISKS

**As with all investments, the future performance of the Fund can be influenced by a number of factors that are outside the control of the Responsible Entity.**

The level of future distributions, the value of the Property and the value of Unit Holders' Units may be influenced by any of these risk factors, which include, without limitation, the following:

### 4.1 GENERAL INVESTMENT RISKS

General investment risks include:

- > A downturn in general economic and market conditions in the Australian and/or global economy.
- > Unfavourable movements in interest rates or inflation.
- > Unfavourable movements in the unemployment rate.
- > Changes to the law (including tax laws) and accounting.
- > Natural disasters, including earthquakes, fire, storm, social unrest, terrorist attack or war in Australia or overseas.

### 4.2 GENERAL PROPERTY RISK

There are a number of risks associated with an investment in property. These include, without limitation:

#### Movements in valuation

The value of the Property may be adversely affected by a downturn in real estate market conditions or the underlying performance of the Property. There is no guarantee that the Property or Unit Holders will achieve a capital gain or that the Property will not fall in value relative to the current valuation.

#### Property revenue and diversification

Generally, the more diverse a portfolio, the lower the impact that an adverse event affecting one asset in the portfolio will have on the income or capital value of the overall portfolio. The Fund is invested in a single property so there is no property diversification.

The forecasts for the Fund in this PDS are significantly reliant on the performance of the tenant and running costs of the Property.

#### Property sales/liquidity

Real estate, by its nature, is an illiquid investment. Depending on prevailing conditions it may be difficult for the Responsible Entity to dispose of the Property either prior to or at the end of the investment term in a timely manner or at an optimal sale price.

This may affect the Responsible Entity's ability to return capital to Unit Holders and may reduce the Unit value.

#### Property location and condition

In general, the location, age, construction quality and design of the Property may affect the value of the Property. The characteristics of the area or market in which the Property is located may change over time.

#### Force majeure risk

Force majeure is the term generally used to refer to an event beyond the control of a party claiming that the event has occurred, including acts of God, fire, flood, earthquakes, war, acts of terrorism and labour strikes. Some force majeure risks are uninsurable or are unable to be insured economically.

A force majeure event may adversely affect the Responsible Entity's ability to perform its obligations until it is able to remedy the force majeure event. Should such events occur in respect of the Fund or the Property, they may adversely impact the Property and the ability of tenant to service their obligations under the leases.

#### Insurance

KCL and/or tenants of the Property will maintain insurance coverage in respect of the Property (including insurance for damage and public liability). However, some risks may be unable to be insured at acceptable prices. Any losses incurred due to uninsured risks may adversely affect the performance of the Fund. Increases in insurance premiums (which may occur if the Fund claims for recovery of loss under any insurance policy) may also affect the performance of the Fund.

### 4.3 SPECIFIC PROPERTY AND TENANCY RISKS

Property income and potentially the Property's value depends on various factors, including performance by a tenant, vacancy, capital expenditure requirements and finance risks.

Specific property risks can occur from time to time and the following specific property risks have been identified in respect of the Fund:

- > **Non-performance by the tenant** – If the tenant fails to make payments of rent and (where applicable) outgoings, or does so otherwise than in a timely manner, Unit Holders may not receive their distributions, or at least, may not receive their distributions in a timely manner.
- > **Vacancy** – If the lease in respect of the Property was to prematurely terminate, KCL would need to find a new tenant. Where a new tenant has to be found as a result of a tenant vacancy, the income of the Fund may decrease, and the value of the relevant Property might be negatively affected. In attempting to find a new tenant, KCL may have to pay commissions to estate agents or provide incentives to attract tenants. All of these expenses will be met by the Fund and may affect the performance of the Fund.
- > **Capital expenditure requirements** – Capital works may be required on the Property, which may not have been budgeted for. In these circumstances, KCL may need to reduce distributions in order to meet the additional expenditure. There may also be unforeseen environmental issues in respect of the Property which may impact upon the performance of the Fund. It is important to note that Unit Holders are not obliged to contribute any funds in addition to their initial investment to meet the liabilities of the Fund.
- > **Gearing risks** – Using the loan to assist in developing the Property increases the potential for gains and losses in respect of an investment in the Fund. That is, if the Property increases in value, then Unit Holders should receive an even higher percentage increase in the value of their capital invested. However, if the Property decreases in value, borrowing also accentuates the potential losses. Gearing also exposes the Fund to increased costs if, for example, interest rates rise.
- > **Refinancing risks** – Upon expiry of the Debt Facility, the Bank has no obligation to roll over (i.e. extend or renew) the Debt Facility. In the event that the Fund requires refinancing, there is no certainty that debt funding to replace the Debt Facility at the end of the term will be obtained or will be obtained on comparable terms. In such an event, the Property and any other Fund asset may have to be sold at short notice and in a market that may not be conducive to a quick sale.

### 4.4 FUND RISKS

#### Borrowings

A fall in the value of the Property or net property income could result in a breach of a borrowing condition. If there is a default under the Debt Facility, the Bank may enforce its security against the Property and the Fund and, amongst other things, sell the Property.

The Fund will be subject to the terms and conditions of the Debt Facility, including key covenants. Breaches of these covenants or any other default of terms may enable the Bank to enforce its rights against the Fund and/or the Property (see Sections 2.4 and 10.7).

#### Liquidity

An investment in the Fund should be viewed as a medium to long-term investment and should be considered illiquid as it is unlikely that there will be a secondary market for Units. No holder of Units issued under this PDS has the right to have their Units redeemed or withdrawn from the Fund, however this does not restrict a Unit Holder's right to sell the Units (but the Responsible Entity may, in certain circumstances, refuse to register any transfer of Units).

#### Taxation and stamp duty

The effect of taxation on Unit Holders is complex and the summary in Section 7 is general in nature. Prospective investors should seek professional taxation advice specific to their own circumstances.

It is expected that the Fund will enjoy significant tax deferred income as outlined in Section 7. As with all tax legislation, it is possible that the relevant rules may change in the future.

Taxation and stamp duty considerations taken into account by the Responsible Entity in preparing this PDS are based upon relevant legislation, regulations, court decisions and rulings and pronouncements of relevant taxation and revenue authorities now in effect, all of which are subject to change or differing interpretations. Prospective investors should note that any such change could have retroactive application, so as to result in taxation and stamp duty consequences different from those taken into account by the Responsible Entity.

The Responsible Entity has not sought any ruling from relevant taxation or revenue authorities with respect to these considerations and there can be no assurance that relevant taxation or revenue authorities will not assert, or that a court will not sustain, a contrary position.

#### Unit price risk

The issue price per Unit under this PDS is \$1.00. The Net Tangible Asset per Unit is expected to be \$0.94 as at 1 December 2019. Based on these figures, the NTA per Unit will need to increase by 6% before it equates to the issue price of \$1.00 per Unit.

**No guarantee of investment returns**

Neither the performance of this investment nor the repayment of Unit Holder contributions is guaranteed by the Responsible Entity, the Custodian or any other person.

**AFSL**

Maintenance of KCL's AFSL depends, among other things, on KCL continuing to comply with the ASIC-imposed conditions and the Corporations Act.

**Legal risk**

The Fund may, in the ordinary course of business, be involved in possible litigation and disputes, for example, tenancy disputes, environmental and occupational health and safety claims, industrial disputes and any legal claims or third party claims.

A material or costly dispute or litigation may affect the value of the assets or the expected income of the Fund. The cost of any potential or actual litigation is borne by the Fund.

**Related party risk**

The Fund has entered into, and may in the future enter into, legal documents and contracts in relation to numerous aspects of the Fund's operation, for example, property management arrangements, custody arrangements, debt financing arrangements and tenancy arrangements. The Fund may be adversely affected where a party fails to perform under these agreements.

There is potentially additional counterparty risk when a related party is involved. For example, the related parties may not have the same incentive to perform obligations and to monitor performance. The Responsible Entity has procedures in place to mitigate this risk.

**Due diligence and use of experts**

In acquiring the Property, the Responsible Entity has engaged appropriate experts to investigate the environmental, operational, structural and legal soundness of the Property. However, despite such investigations, the Responsible Entity cannot guarantee the identification and mitigation of all risks associated with the Property.

**Distribution risk**

As a result of the inherent risk in any property investment there is no guarantee that the Fund will pay distributions at the rate forecast in the financial information or at all.

The tax deferred component of the distribution will depend on the Fund satisfying various requirements. If the Fund does not satisfy these requirements, the tax deferred component of the distribution could be materially different.



## 05 FEES AND OTHER COSTS

**This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole.**

### 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 account 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 and Investments Commission (ASIC) website [moneysmart.gov.au](http://moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

### 5.1 FEES ASSOCIATED WITH AN INVESTMENT IN THE FUND

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole.

Taxation information is set out in Section 7.

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

All fees and costs in Section 5.1 are net of the effect of GST, i.e. inclusive of GST less any input tax credits (including reduced input tax credits).

#### Key Capital Retail Fund No 9

Type of Fee or Cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
<b>ESTABLISHMENT FEE</b>		
The fee to open your investment	Nil	Nil
<b>CONTRIBUTION FEE</b>		
The fee on each amount contributed to your investment	Nil	Nil
<b>WITHDRAWAL FEE</b>		
The fee on each amount you take out of your investment	Nil	Nil
<b>EXIT FEE</b>		
The fee to close your investment	Nil	Nil

## FEES AND OTHER COSTS

Type of Fee or Cost	Amount	How and when paid
<b>MANAGEMENT COSTS*</b>		
The fees and costs for managing your investment	<b>Management fee</b> 0.50% p.a. of the Gross Asset Value	Calculated and paid monthly in arrears out of the assets of the Fund
The amount you pay for your investment is shown at Section 5.2.	<b>Costs and expenses</b> Estimated to be 0.47% p.a. of the Gross Asset Value	Paid by the Fund as and when incurred
	<b>Performance Fee</b> As an incentive to maximise investor returns, the Responsible Entity is entitled to a performance fee of 25% of the outperformance of the NTA per Unit above \$1.20.	Payable out of the assets of the Fund at the time the Fund is wound up subject to performance
	<b>Indirect costs</b> Nil	Nil
<b>SERVICE FEES</b>		
	Nil	Nil

\*Management costs can be negotiated by wholesale clients. Refer to Differential Fees under 'Additional Explanation of Fees and Costs' for further details.

The table below gives an example of how the fees and costs for this product can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

Example of annual fees and costs	Key Capital Retail Fund No. 9
Example – Key Capital Retail Fund No. 9	Balance of \$50,000
Contribution fee	Nil
PLUS Management costs	1.44 % per annum of the Fund's net asset value <sup>1</sup> . And, for every \$50,000 you have in the Fund, you will be charged \$720 each year.
EQUALS Cost of Fund	If you had an investment of \$50,000 at the end of the year, you will be charged \$720. The Fund will not allow contributions after the Total Offer Amount is raised.

Additional fees and expense may apply including Performance Fees, transaction fee and transactional and operational costs. For more details see Sections 5.2 and 6. Performance Fees and Disposal Fees have not been included because they are generally not payable, and do not accrue, during the *term* of the Fund. Whether or not they are ultimately payable depends on the performance of the Fund.

1. As required by regulation, in the table example shown above, Key Capital Retail Fund No. 9 uses the indirect cost ratio for the Fund, which is based on net asset value.

## 5.2 ADDITIONAL EXPLANATION OF FEES AND COSTS

### Management fees

This is an ongoing fee paid to the Responsible Entity for general administration, operation and management of the Fund. The Management Fee is 0.5% per annum of the Gross Asset Value (GAV).

### Costs and expenses

The Fund will incur ongoing administration costs including accounting fees, audit costs, Registry fees, custodial fees, Compliance Committee costs, tax and legal advice fees, investor reporting costs, bank charges and postage. These costs are estimated to be 0.47% per annum of the GAV. This amount is an estimate only and actual costs may be more or less than this amount.

The Responsible Entity is entitled, under the Constitution, to be reimbursed for all costs and expenses (which include the ongoing administration costs and abnormal expenses referred to above) that it may incur in the proper performance of its duties under the Constitution.

These costs and expenses include (but are not limited to) costs, disbursements and expenses associated with:

- > The establishment and termination of the Fund and amending or replacing the Constitution.
- > The production and circulation of the Product Disclosure Statement and marketing and the promotion of the Fund.
- > Fund assets and income.
- > Borrowing money.
- > Convening and holding meetings of Unit Holders and implementing any resolutions passed at the meetings.
- > Registry and accounting services, Fund tax returns, postage, confirmation advices, notices, reports and other documents.
- > The Fund's Compliance Committee and its members.
- > Auditing the Fund and the Compliance Plan.
- > Establishment and administration of the complaints handling procedures for the Fund.
- > Complying with any law and any request, policy or requirement of ASIC or any other regulatory authority.
- > Any agent or delegate of the Responsible Entity (including associates).

### Transactional and operational costs

The Responsible Entity does not charge a buy spread when you invest in the Fund. However, the Fund does incur transactional and operational costs, such as stamp duty, derivative costs, registration fees and settlement costs, property management costs, the costs of rates, utilities and other property operating costs (excluding those costs recovered from tenants). These costs are payable when incurred out of the Fund. Transactional and operational costs are not payable to the Responsible Entity. They are an additional cost to you and are ultimately reflected in the value of your investment in the Fund.

For the first financial year of the Fund ending on 30 June 2020, the Responsible Entity estimates the Fund's transactional and operational costs described above to be approximately 1.19% of Fund net asset value, calculated on an annualised basis.

Applied to an investment in the Fund of \$10,000 transactional and operational costs would be equal to \$119.00 per annum. An expense in this disclosure relates to one-off stamp duty.

### Performance fee

As an incentive to maximise investor returns, the Responsible Entity is entitled to a performance fee of 25% of the outperformance of the NTA per unit above \$1.20. The fee is payable out of the assets of the Fund at the time the Fund is wound up, subject to performance.

A working example is as follows:

- > NTA per Unit at sale of the property is \$1.22
- > \$0.02 is the outperformance and the fee is calculated at 25% of \$0.02 and provides the manager a payment of \$0.005 on each Unit on issue in the Fund.

### Transaction fee

This is the fee charged by the Responsible Entity for the identification and analysis of the Property, negotiating the acquisition, managing the due diligence process, negotiating and procuring debt and establishing the purchasing entity, structuring the overall investment and raising capital by way of the Units. The transaction fee is equal to 2% of the Property valuation and is payable from the assets of the Fund.

The Property will be sold at a price of \$5.325 million, therefore the transaction fee payable to the Responsible Entity will be \$106,500.

### Disposal fee

This is the fee charged by the Responsible Entity in respect of coordinating the sale of the Property (and/or any other real estate asset of the Fund). This fee is 1% of the sale price of the relevant property.

### Finance facility fees

This is the fee for the arrangement of bank finance and advising on the interest rate risk management. The Responsible Entity is entitled to charge a fee of 0.60% of the facility amount, however the Responsible Entity fee will charge 0.30% of the finance amount for this Offer.

For example for each \$1,000,000 borrowed, the Responsible Entity fee payable is \$3,000.

### Professional services fees

The Responsible Entity may seek professional services for the Fund from qualified providers, including related parties. The fees for these services will be charged at normal commercial rates to the Fund.

Related parties of the Responsible Entity will only be appointed in accordance with its 'Related party and conflicts of interest policy'. For more detail on the policy, refer to Section 10.3.

### GST

Unless otherwise stated, all fees in this section of the PDS show the net effect of GST (i.e. inclusive of GST less any input tax credits including reduced input tax credits). Where the Fund is entitled to an 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 Fund of paying GST will be reduced proportionally. For additional information in relation to the taxation implications of an investment in the Fund please see Section 7.

### Differential fees

The Responsible Entity may negotiate special fee arrangements with Unit Holders who are wholesale clients, pursuant to the Corporations Act under which it reduces or rebates fees to those Unit Holders. Such special fee arrangements will not adversely impact upon the fees that are paid by other Unit Holders as set out in the previous table.

### Adviser remuneration

The Responsible Entity does not pay any commission to financial advisers and other intermediaries. If investors have arrangements with their financial advisers, investors are able to direct the Responsible Entity to pay an amount on their behalf to their adviser out of their application monies. To do so, investors need to nominate the payment amount on their Application Form.

### Maximum fee entitlements and other fees

Under the Constitution, the Responsible Entity is entitled to the following maximum fees:

Subject to the Corporations Act (where the Fund is a Registered Scheme) the Responsible Entity will be entitled to the following fees (excluding GST) in respect of the Fund:

- > the Responsible Entity will be entitled to a fee for the management of the Fund equal to 0.50% per annum of the Gross Asset Value of the Fund payable monthly in arrears;
- > for the identification and analysis of the Property, negotiating the acquisition, managing the due diligence process, negotiating and procuring debt and establishing the purchasing entity, structuring the overall investment and raising capital, the Responsible Entity will be entitled to a transaction fee equal to 2% of the Property valuation as of the date of acquisition, and is payable from the assets of the Fund within 30 days from the date of acquisition;
- > for coordinating the sale of any Fund Assets (including, but not limited to, the sale of the Property), the Responsible Entity will be entitled to a disposal fee of 1% of the sale price of the Property within 30 days of the settlement date for such sale;
- > a performance fee of 25% of the outperformance of the NTA per Unit above \$1.20, demonstrated by the following worked example:
  - assuming the NTA per Unit at sale of the property is \$1.22, \$0.02 is the outperformance and the fee is calculated as 25% of \$0.02 and provides the Responsible Entity a payment of \$0.005 on each Unit payable within 30 days from the date of sale; and
- > for the arrangement of Fund financing and advising on the interest rate risk management, the Responsible Entity will be entitled to a finance facility fee of up to 0.6% per annum of the Facility Amount payable in arrears.

### Indirect costs

Other than Fund recoverable expenses described above in the fee table and under 'Costs and Expenses', the Fund does not incur any indirect costs.

## 06 FINANCIAL INFORMATION

This section provides details of the:

- > Forecast Income and Distribution Statements for the period commencing 1 December 2019 and ending 30 June 2021 (Forecast Period).
- > Pro forma balance sheet after the issue of Units, representing the Total Offer Amount.
- > Forecast Sources and application of funds from this Offer.

The forecast financial information in this section should be read in conjunction with the statement of significant accounting policies and the best estimate assumptions as set out in this section.

Key assumptions upon which the Forecast Income and Distribution Statements and pro forma balance sheet are based include that:

- > Bank finance at a maximum of 50% of LVR.
- > Bank interest at 3.7%.
- > Stamp duty on transfer of land is calculated on the outcome of an application to the Victorian Commissioner of State Revenue for concessional duty with respect to the acquisition under the corporate reconstruction concession.
- > Rent in the first 12 months of the lease includes four months' rent free as a lease incentive. Key Capital Property Syndicate No.3 will provide payment for this shortfall.
- > As at 1 December 2019, the Total Offer Amount has been reached and the Property acquired.

Future returns from an investment in the Fund are not guaranteed. The Responsible Entity's forecasts have been prepared on best estimate assumptions. While the Directors of the Responsible Entity believe the assumptions used are appropriate and reasonable at the date of this document, some factors that may affect the actual results cannot be foreseen or accurately predicted.

Many of these factors are beyond the control of the Directors of the Responsible Entity. As such, actual results may differ from these forecasts. Consequently, the Responsible Entity and its Directors cannot guarantee that the results in the prospective financial information will be achieved.

The forecast financial information has been prepared in accordance with the measurement and recognition criteria of the Australian Accounting Standards.

The forecast financial information has been presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

## 6.1 FORECAST INCOME AND DISTRIBUTION STATEMENT

Set out below is the forecast income and distribution statement of the Fund for the Forecast Period. The forecast income and distribution statement displays the net income available for distribution to Unit Holders, by adjusting the forecast net income for a number of non-cash and significant items.

The table sets out KCL's forecast income from 1 December 2019 to 30 June 2020 and the financial year ending 30 June 2021.

The best estimate assumptions underlying these forecasts and the tax deferred distribution forecasts are in section 6.5.

While the Directors have given due care and consideration to the preparation of, and are satisfied that they have reasonable grounds for, the forecast financial information, potential investors should note that the forecasts are based on best estimate assumptions of future events in respect of the Fund which, for reasons outside the control of the Directors, may not occur. There can be, and often are, material differences between the forecasts and the actual results.

	Note	1 December 2019 to 30 June 2020 \$	Year Ending 30 June 2021 \$
<b>GROSS REVENUE</b>	5		
Rental Income	6	221,375	373,684
Less: Property Outgoings		(19,993)	(59,098)
<b>Net Rental Income</b>		<b>201,382</b>	<b>314,586</b>
Interest Income		-	-
Net Investment Income		-	-
<b>Net Revenue</b>		<b>201,382</b>	<b>314,586</b>
<b>LESS EXPENSES:</b>			
Accounting Fees		10,000	10,000
Compliance Fees		3,000	4,000
Custodian Fees		12,000	15,000
Finance Costs		51,726	91,561
General Expenses			
KCL's Management Fee (See the "Fees & other costs" section of this PDS)		15,531	26,625
<b>Total Expenses (before Finance Costs - Unit Holders)</b>		<b>92,257</b>	<b>147,186</b>
Net Changes in Fair Value of Investment Properties	2	(122,700)	-
<b>Net Profit (loss) (before Distributions to Unit Holders)</b>		<b>(13,575)</b>	<b>167,400</b>
<b>Distributions to Unit Holders</b>	7	<b>109,375</b>	<b>187,500</b>
<b>Change in Net Assets attributable to Unit Holders</b>		<b>(122,950)</b>	<b>(20,100)</b>
Number of Units on Issue		3,000,000	3,000,000
Annualised Distributions as a percentage of Unit issue price		6.25%	6.25%
Tax Deferred Component of Distribution		100%	100%

## 6.2 PRO FORMA BALANCE SHEET

	Note	As at 1 December 2019 \$
<b>CURRENT ASSETS</b>		
Cash at bank		9,899
<b>Total Current Assets</b>		<b>9,899</b>
<b>NON-CURRENT ASSETS</b>		
Investment Property	2	5,325,000
<b>Total Non-Current Assets</b>		<b>5,325,000</b>
<b>Total Assets</b>		<b>5,334,899</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest Bearing Liabilities	3	2,513,428
<b>Total Liabilities (excluding Net Assets attributable to Unit Holders)</b>		<b>2,513,428</b>
<b>Net Assets attributable to Unit Holders</b>	4	<b>2,821,471</b>
Number of Units on issue		3,000,000
NAV per Unit <sup>1</sup> (AIFRS)		0.94
NAV per Unit <sup>1</sup> (before write off of Property Acquisition Costs)		0.98

## 6.3 FORECAST SOURCES AND APPLICATION OF FUNDS

	Year Ending 30 June 2021 \$
<b>SOURCES OF FUNDS</b>	
Issue of Units at \$1.00 per Unit	3,000,000
Borrowings to fund acquisition of the Assets	2,553,529
Funds from Ordinary Activities	-
<b>Total Sources of Funds</b>	<b>5,533,529</b>
<b>APPLICATIONS OF FUNDS</b>	
Consideration payable under the Contract of Sale for the acquisition of the Assets	5,325,000
Property Acquisition Costs	122,700
Equity Raising Costs	55,829
<b>Finance Costs:</b>	
Borrowing Cost	20,101
Increase in Cash at Bank/Available Working Capital	9,899
<b>Total Applications of Funds</b>	<b>5,533,529</b>

1 The NAV per Unit under AIFRS is calculated by dividing the Fund's net asset value by the number of Units on issue. The NAV per Unit calculation is also presented based on the net asset value before write-off of property acquisition costs.

## 6.4 NOTES TO THE FINANCIAL ACCOUNTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies that have been adopted in the preparation of the financial forecasts are outlined below:

#### Basis of preparation

The forecast income and distribution statement and pro forma balance sheet have been prepared on a going concern basis, adopting the accruals and historical cost basis of accounting (except for investment properties and derivative financial instruments, which are at fair value) and in accordance with the recognition and measurement principles of Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act.

#### Investment property

Investment property is property which is held to earn rental income, or for capital appreciation, or for both.

Investment properties are carried at fair value determined either by the Directors or independent valuers. Changes to fair value are recorded in profit or loss. Investment properties are not depreciated.

The fair value of investment properties excludes any accrued operating lease income or lease incentives recognised as a receivable in accordance with AASB 117: Leases as detailed in Note 1(b).

Property purchases are recognised when the Fund has entered into an unconditional purchase contract, 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 an unconditional sales contract, 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.

#### Distributions

The forecast tax advantaged distributions contained in this PDS have been based on the Division 40 allowance (diminishing value method) and the Division 43 allowance. These amounts are estimates only and the actual allowance will be calculated by consultants at the completion of the building.

#### Revenue

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 over the operating lease is recognised as revenue on a straight-line basis over the lease term. This results in more income being recognised early in the lease term, and less late in the lease term, compared to the lease conditions. The difference between the lease income recognised and actual lease payments received is included in receivables.

Interest income is recognised in profit or loss on a time basis, using the effective interest rate method.

All income is stated net of the amount of goods and services tax (GST).

#### Expenses

Property related expenses have been estimated based on the data provided by Knight Frank Valuation & Advisory Victoria in the Valuation report dated 4 March 2019.

#### Taxation

Under current legislation, the Fund is not liable for income tax, provided its taxable income is fully distributed to Unit Holders.

#### 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 and loss over the period of the borrowings using the effective interest rate method. Fees paid for establishing loan facilities are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

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 reporting date.

#### GST

To the extent that the costs of the Offer relate to the acquisition of the Property, a full input tax credit is available for the GST payable on those costs that are subject to GST. To the extent that the costs of the Offer relate to the making of “financial supplies” within the meaning of that term as it is used in the GST Act, an input tax credit is only available for 75% of the GST paid on those costs that are subject to GST.

The costs of the Offer for which a full input tax credit is available have been shown exclusive of GST. The costs of the Offer for which 75% of the input tax credit is available have been increased by the amount of the GST payable that is not able to be claimed as an input tax credit.

### NOTE 2 – INVESTMENT PROPERTIES

	<b>As at 1 December 2019</b>
	<b>\$</b>
Land & Buildings (at cost)	
7 Baker Street, Wangaratta	5,325,000
Property Acquisition Costs (Note 2(b))	122,700
<b>Total Investment Properties</b>	<b>5,447,700</b>
<b>Less adjustments:</b>	
Write off Property Acquisition Costs	(122,700)
Investment Properties (at Fair Value)	5,325,000

### NOTE 2(A) – LAND AND BUILDINGS

The purchase price of the Property will be subject to property rate adjustments under the Contract of Sale.

AASB 140 “Investment Property”, requires investment properties to be measured initially at their cost and for costs associated with the acquisition of the Property to be included in the initial measurement.



After initial measurement the Fund is required to choose as its accounting policy either the “fair value” model or the “cost” model and shall apply that policy to all of its investment property.

The Directors have decided to adopt the fair value model, under which a gain or loss arising from a change in the fair value of an investment property shall be recognised in profit or loss for the period in which it arises. This treatment is likely to result in all or a large portion of the property acquisition costs effectively being written off at the end of the first reporting period.

The Directors have decided that in order to disclose the immediate effect this accounting policy will have on the underlying value of an investor’s investment in the Fund, the Fund should write down the cost of the Property to their fair value and write off the property acquisition costs immediately following the acquisition of the Property. As a result, the sum of \$122,700 has been recorded as an expense in the income statement for the period 1 December 2019 to 30 June 2020.

#### NOTE 2(B) – LAND AND BUILDING – PROPERTY ACQUISITION COSTS

	<b>As at 1 December 2019</b>
	<b>\$</b>
Stamp Duty	13,700
Conveyance & Other Legals	2,500
<b>Total</b>	<b>16,200</b>
Key Capital Acquisition Fee	106,500
<b>Total Property Acquisition Costs</b>	<b>122,700</b>

#### NOTE 3 – INTEREST BEARING LIABILITIES

	<b>As at 1 December 2019</b>
	<b>\$</b>
<b>Properties at Valuation:</b>	
7 Baker Street, Wangaratta	5,275,000
Plus allowance for rental free	50,000
	-
	<u>5,325,000</u>
Bank Loan (facility) as a % of Valuation	47%
Bank Loan – Properties	2,533,529
Less Unamortised borrowing costs (Note 3(a))	(20,101)
<b>Total Interest-Bearing Liabilities</b>	<b>2,513,428</b>

#### NOTE 3 (A) BORROWING COSTS

	<b>As at 1 December 2019</b>
	<b>\$</b>
Establishment Fees	10,000
Legal Fees	2,500
Finance Fees 0.30%	7,601
<b>Total Borrowing Costs</b>	<b>20,101</b>

#### NOTE 4 – NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

This represents subscriptions by Unit Holders under this PDS, less the costs off the Offer

	<b>As at 1 December 2019</b>
	<b>\$</b>
Opening Balance	-
Equity raised under this PDS (3,000,000 Units @ \$1.00 per Unit)	3,000,000
<b>Total issued and fully paid up Units</b>	<b>3,000,000</b>
<b>Less the Costs of the Offer:</b>	
ASIC fees & related expenses	3,029
Legal Fees	38,000
PDS preparation & production costs	10,000
Additional cost - Reduced ITC's	4,800
<b>Total Costs of the Offer</b>	<b>55,829</b>
<b>Net Assets attributable to Unit Holders (before adjustments)</b>	<b>2,944,171</b>
<b>Less Adjustments:</b>	
Write off of Property Acquisition Costs (Note 2(b))	122,700
<b>Total Adjustments</b>	<b>122,700</b>
<b>Net Assets attributable to Unit Holders</b>	<b>2,821,471</b>

#### NOTE 5 – RENTAL INCOME

The Fund will be entitled to all the ‘percentage rent’ that may be due and payable. Rent in the first 12 months of the lease includes four month’s rent free as a lease incentive. KCL3 will provide a rental guarantee for this shortfall.

#### NOTE 6 – PROPERTY OUTGOINGS

The costs associated with the property include the fees paid to the property manager, State land tax and council rates.

## 6.5 BEST ESTIMATE ASSUMPTIONS

Applicants are advised to review the assumptions and financial information and make their own independent assessment of the future performance and prospects of the Fund.

The Responsible Entity has adopted the forecast financial information based on its knowledge of the Property, the property industry and the key assumptions set out below.

### Assumption as to capital raising amount

The financial information assumes that:

The forecasts have been prepared on the assumption that as at 1 December 2019 the minimum subscription amount has been reached and the Property is acquired.

### Debt facility

The terms of the Debt Facility are set out in Section 10.7 and there is no event of default under or breach of the Debt Facility terms during the Forecast Period.

### Net property income

Net property income comprises rental income. The main assumptions underlying the Fund's forecast net property income are:

The tenant fulfils its obligation under the lease in particular to:

- > Base rent;
- > % Rent; and
- > Agreed increases in outgoings.

### Management fee

The management fee is payable from the Fund to the Responsible Entity and charged based on the value of the Fund's Gross Asset Value as set out in Sections 5.1 and 5.2.

### Administrative costs

Normal administrative and operational costs such as accounting, audit, legal, compliance, Custodian and Registry fees are paid by the Fund. These amounts have been forecast relative to the size of the Fund.

### Transaction fee

The Responsible Entity is entitled to a transaction fee of \$106,500 being 2% of the Property value, \$5,325,000.

### Distributions

Distributions are expected to be made monthly, on the 15th day of the month.

The distribution entitlement is based on the investors listed on the register at the time of 15th day of the month.

### Tax deferred distributions

The Responsible Entity anticipates that the Fund's distributions for the Forecast Period will be 100% tax deferred in FY19, primarily due to tax deductions for capital allowances on depreciating assets and capital works deductions for buildings, and assuming that this is no change in tax law or its interpretation during the Forecast Period. Detailed depreciation schedules will be completed by qualified consultants once the building is completed.

Please refer to Section 7 for further details on the tax treatment of tax deferred distributions.

### Property acquisition costs

Property acquisition costs represent estimated costs for legal, accounting, tax, property valuation and property condition advice.

The Responsible Entity has applied to the State Revenue Office for corporate reconstruction concession in relation to the stamp duty chargeable on the acquisition of the Property. Stamp duty costs have been calculated on the basis that the concession is granted.

### Litigation and change of law

The Fund is not involved in any dispute or litigation during the Forecast Period and there is no change of law or interpretation which affects the Fund or the Responsible Entity during the Forecast Period.

### Finance costs

Finance costs include interest and other costs incurred in connection with the establishment of the Debt Facility.

### Fair Value adjustments

The Forecast Period does not include future revaluations or changes in fair value of the Property or movements in the market values of derivatives as required by Australian Accounting Standards, as it is believed that there is not any reasonable basis to make forecasts in relation to future capitalisation rates, property yields, interest rates or general market conditions, all of which are outside the control of the Responsible Entity. For these reasons, it is not possible to accurately quantify the impact on the forecast financial information of these matters.

## 6.6 SENSITIVITY ANALYSIS

The forecasts in this PDS have been based on certain economic and business assumptions about future events. The forecast distribution payable during the Forecast Period is sensitive to several factors.

A summary of the possible impact on different outcomes in key assumptions underlying the forecasts is set out below. However, the disclosed movements in these key assumptions are not intended to be indicative of the complete variations that may occur.

The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed to are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Fund's policies and processes for managing these risks are described below.

### Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund's market risk is managed on an as required basis by the directors in accordance with the investment guidelines as outlined in the Fund's Product Disclosure Statement and Constitution.

### Movements in valuation

The value of the Property may be adversely affected by a downturn in real estate market conditions or the underlying performance of the Property. There is no guarantee that the Property or Unit Holders will achieve a capital gain or that the Property will not fall in value relative to the current valuation.

### Property revenue and diversification

Generally, the more diverse a portfolio, the lower the impact that an adverse event affecting one asset in the portfolio will have on the income or capital value of the overall portfolio. The Fund is invested in a single property so there is no property diversification.

The forecasts for the Fund in this PDS are significantly reliant on the performance of the tenant and running costs of the Property.

### Property sales/liquidity

Real estate, by its nature, is an illiquid investment. Depending on prevailing conditions it may be difficult for the Responsible Entity to dispose of the Property either prior to or at the end of the investment term in a timely manner or at an optimal sale price.

This may affect the Responsible Entity's ability to return capital to Unit Holders and may reduce the Unit value.

### Interest rate risk

The Fund's cash and cash equivalents expose it to a risk of change in their fair value or future cash flows due to changes in interest rates.

The Fund does not have a formal interest rate risk management strategy at the time of this offer. The Directors have assessed that exposure to fluctuations in interest rates is not a significant risk for the Fund. The Directors may from time to time hedge the interest rate of the debt facility.

The Fund's exposure to interest rate risk at reporting date, including its sensitivity to changes in market interest rates that were reasonably possible, is as follows:

Instruments with cash flow risk:

	<b>As at 1 December 2019</b>
	<b>\$</b>
Cash At Bank	(9,899)
Bank Loan.	2,533,529
<b>Total exposure to interest rate risk</b>	<b>2,523,630</b>

Sensitivity of profit or loss to movements in market interest rates for instruments with cash flow risk:

> Market interest rates changed by  $\pm 50$  basis points is  $\pm 12,618$

The sensitivities above have been estimated based on an analysis of changes in interest rates over the past three years and using the average to predict future movement.

### Price risk

The Fund is exposed to price risk on its deferred asset disposal fees. The deferred asset disposal fees are calculated and recognised based on the underlying changes in the price of the investment property.

Changes in the value of the investment property will directly affect the amounts recognised. Investment property and the associated price risk is actively managed and monitored by the directors, using strategy developed by methodical asset planning and Fund budgeting processes.

## 07 TAX INFORMATION

### This section provides an outline of the principal Australian tax consequences relating to the acquisition, holding and disposal of Units for an Australian tax resident Unit Holder.

#### 7.1 TAXATION FOR AUSTRALIAN RESIDENTS

The information in this section is of a general nature and is not, nor is it intended to be, tax advice, and cannot be relied upon as such. Each investor must take full and sole responsibility for their investment in the Fund, the associated taxation implications arising from that investment and any changes in those taxation implications during the course of the investment. Accordingly, prospective investors should seek personal tax advice to take into account their individual circumstances.

This summary provides an outline of the principal Australian tax consequences relating to the acquisition, holding and disposal of Units for an Australian tax resident Unit Holder who holds their investment in the Fund on capital account.

The summary does not address the tax implications for Unit Holders that:

- > Hold their Units on revenue account or as trading stock.
- > Make an election under the Taxation of Financial Arrangements (TOFA) provisions that affects the recognition of income in respect of Units.
- > Are exempt from Australian tax.
- > Are non-residents, or
- > Are temporary residents of Australia.

The summary does not address the tax implications for persons that invest in the Fund indirectly.

Taxation issues are complex and taxation laws, their interpretation and associated administrative practices may change over the term of an investment in the Fund.

The information contained in this section is of a general nature only. It is based on, and limited to, Australian tax law and practice in effect at the date of this PDS.

#### 7.2 TAX TREATMENT OF THE FUND

The Fund will claim deductions for the depreciation of plant and equipment, allowances for the original capital expenditure on the buildings and the borrowing costs on the purchase of the Assets. These deductions will be passed on to the Unit Holders, causing a component of the income received by Unit Holders to be “tax deferred”. For further details refer Tax treatment of Unit Holders below.

#### 7.3 TAX TREATMENT OF UNIT HOLDERS

Unit Holders may, from time to time, receive cash distributions that exceed the amount they must include in their assessable income. These distributions in excess of the assessable distributions are referred to as “tax deferred distributions”. It is anticipated that the tax deferred distributions will be largely attributable to the Fund’s ability to claim deductions for the following items not recognised as expenses in calculating the Fund’s distributable profit for accounting purposes:

- > the depreciation of certain items of plant and equipment that do not form part of the building;
- > capital works allowances on building;
- > borrowing costs; and
- > certain Fund establishment expenditure.

Tax deferred distributions are not included in the Unit Holder’s assessable income. Instead, Unit Holders will be required to reduce the capital gains tax cost base of their Units by the amount of the tax deferred distribution. If the Unit Holder disposes of their Units, the Unit Holder’s capital gain (if any) on the disposal of their Units will be calculated by reference to this reduced cost base. The same will apply when the Units are redeemed, and the Fund wound up.

Therefore, a Unit Holder's taxable capital gain on the eventual redemption or disposal of their Units is likely to be higher where distributions of income include a tax deferred amount as compared to the taxable capital gain that would arise had there been no tax deferred distributions. If the capital gains tax cost base is reduced to nil because of the tax deferred distributions, any further tax deferred amounts distributed to the Unit Holder will be treated as a taxable capital gain.

The Unit Holder may be eligible for the capital gains tax discount on such capital gains (provided that the Unit Holder has held the Units for more than 12 months). The capital gains tax discount is discussed under "Capital gains tax" below.

## 7.4 TAX LOSSES INCURRED BY THE FUND

In the event that the Fund incurs an income tax loss, the tax losses will be retained within the Fund and cannot be distributed to Unit Holders. As a general rule, income tax losses may be offset against future income of the Fund. However, the ability to offset such income tax losses against future income is subject to specific taxation rules relating to the carry forward of tax losses of unit trusts.

## 7.5 DISPOSAL OF PROPERTY AND CAPITAL GAINS TAX

If the Property is disposed of for a capital gain, the Fund's net taxable capital gain will be calculated based on the net capital gain remaining after offsetting current year or unapplied prior year capital losses against the capital gain. A net taxable capital gain is included in the Fund's net income for the year in which the relevant contract for disposal was entered into. Where the Property disposed of has been held by the Fund for more than 12 months, the 50% capital gains tax discount will apply.

The net taxable capital gain (after application of the 50% capital gains tax discount) will be distributed to Unit Holders in proportion to the number of Units they hold. Unit Holders will need to gross up the distribution and apply any current or prior year capital losses they may have against the grossed up capital gain to arrive at the Unit Holder's net capital gain position.

Depending on the Unit Holder's circumstances, Unit Holders may then be able to apply the appropriate capital gains tax discount percentage to their net capital gain. Unit Holders should seek independent advice regarding the impacts of Capital Gains Tax regarding the disposal of the property.

Unit Holders that are companies are ineligible for the capital gains tax discount.

## 7.6 CAPITAL LOSS

A capital loss cannot be distributed to Unit Holders in the event that the Property is disposed of for a capital loss. As the Property is the only property held by the Fund, there will essentially be no future capital gains to offset any net capital loss incurred in respect of the sale of the Property.

## 7.7 OTHER ISSUES

### **Tax File Number or Australian Business Number Declaration**

It is not compulsory for a Unit Holder to provide their tax file number (TFN). However, if a Unit Holder does not provide their TFN (or in certain circumstances an Australian Business Number) or claim a valid exemption, then the Responsible Entity will be required to withhold tax from any distribution from the Fund at the highest marginal rate plus Medicare Levy.

### **GST**

Under current legislation, GST should not be payable in respect of the acquisition, disposal or withdrawal of Units, nor in respect of any distributions paid by the Fund.

The Fund will not be entitled to claim input tax credits for the full amount of the GST component of some expenses.

However, for some of these expenses, a reduced input tax credit may be claimed. The non-recoverable part of the GST component of any expenses is taken into account as an expense of the Fund.

# 08 INDEPENDENT VALUATION OF THE PROPERTY

## Extracts from valuation – 4 March 2019

A planning permit was issued on 17 November 2018 for the proposed development of the Dan Murphy's development. Development plans were endorsed by Council on 17 December 2018. The endorsed plans are consistent with the plans that are approved by Woolworths under the proposed variation deed and in relation to the Woolworths Agreement for Lease.



## EXTRACT 1

## 8.3 Market Value of Lot 2 As If Complete (Dan Murphy's 7 – 9 Baker Street)

Upon completion of the Landlord Works and execution of the lease Lot 2 will comprise an affordably priced passive investment with a 12 year lease expiry to a national listed company regarded as a blue chip covenant. It is located in a relatively small but long established regional Victorian township – which brings with it greater intrinsic reversionary risk at expiry than in metro areas – however the subject is also very well located for the use opposite Woolworths in the Wangaratta commercial area and the fundamentals for rental are strong.

A summary of significant supermarket transactions for which there is a greater array of information are as follows:

Supermarket Transactions					
Property	Sale Price	Sale Date	Core Market Yield	Term Certain	\$/m <sup>2</sup> of GLA
Coles Hamilton (VIC)	\$23.0m	Dec-18	5.20%	16 yrs	\$5,943
Coles Drysdale (VIC)	\$23.5m	Dec-18	5.35%	15 yrs	\$6,225
Woolworths Burwood East (VIC)	\$18.17m	Aug-18	4.58%	5 yrs	\$5,344
Woolworths Scoresby (VIC)	\$15.12m	Aug-18	4.54%	12 yrs	\$5,069
Woolworths Dunlop (ACT)	\$4.6m	Apr-18	5.81%	9 yrs	\$5,864
Coles Clayton (VIC)	\$17.12m	Mar-18	2.68%	6 yrs	\$6,001
Coles Riverton (WA)	\$31.95m	Jan-18	5.23%	14 yrs	\$5,548
Woolworths Kerang (VIC)	\$15.7m	Oct-17	6.20%	10 yrs	\$3,697
Coles Warrnambool (VIC)	\$14.0m	Aug-17	5.72%	11 yrs	\$5,243
Woolworths Maryborough (QLD)	\$13.0m	May-17	5.98%	17 yrs	\$3,167
Woolworths Highton (VIC)	\$12.4m	Apr-17	4.67%	18 yrs	\$5,404
Woolworths Brunswick (VIC)	\$13.5m	Apr-17	4.92%	15 yrs	\$8,237
Coles Five Dock Square (NSW)	\$19.66m	Mar-17	4.88%	19 yrs	\$5,734
Ferntree Gully Coles (VIC)	\$10.5m	Feb-17	3.98%	5 yrs	\$4,747
Woolworths Hadfield (VIC)	\$9.75m	Oct-16	3.09%	2 yrs	\$4,643
Coles Lalor (VIC)	\$8.3m	Oct-16	5.09%	7 yrs	\$4,079
Coles Drouin (VIC)	\$10.01m	Sep-16	5.27%	7 yrs	\$4,753
Woolworths Brighton (VIC)	\$32.08m	Jul-16	3.77%	23 yrs	\$7,288
Woolworths Caulfield North (VIC)	\$9.5m	Dec-15	4.99%	17 yrs	\$9,635
Woolworths Ivanhoe (VIC)	\$16.5m	Dec-15	5.48%	7 yrs	\$4,645

Details of the key transactions are outlined below. Almost all of these transactions have a similar limited or no growth outlook. Generally it can be said that there is very little premium for long term covenants in regional Victoria versus metro Victoria with Drysdale in a long term growth area (but a very high threshold) and Hamilton offering very little growth due to the nature of its catchment regardless that the passing turnover was nearing the threshold.

EXTRACT 2

Notably the sale in Kerang (and another centre in a Kyabram currently on the market around \$20m) at over 6% are in catchments where competitors are not represented and hold far more significant reversionary risk at expiry. Warrnambool is well located and appears to be an outlier in 2017 against the weight of other evidence. The subject Dan Murphy's by comparison is well located with low reversionary risk, will be a new building with limited capex risk and superior depreciation outlook, and in addition is priced in a far more affordable price range.

It is also however a gross lease in year 1 (with recovery of most but not all increases in outgoings) and there is no history of outgoings or turnover to lever off in assessing the final net income.)

A summary of the recent single tenant liquor investment sales (Dan's and First Choice) is outlined below:

Single Tenant Large Format Transactions										
Address	State	Tenant	Sale Date	Sale Price	GLA	Init. Yield	Core Market Yield	WALE/Term Certain (yrs)	\$/m <sup>2</sup> of GLA	Purchaser
417 Dean Street, Albury	NSW	First Choice	Jun-18	\$6.6m	1,200	5.18%	5.18%	5.0	\$5,500	Private Investor
789 Heidelberg Road, Alphington	VIC	Dan Murphy's	Aug-17	\$22.52m	2,663	3.22%	3.22%	14.9	\$8,449	Private Investor
98 Edward Street, Wagga Wagga	NSW	Dan Murphy's	Dec-16	\$10.10m	1,413	5.20%	5.20%	12.0	\$7,148	Private Investor
710 Military Road, Mossman	NSW	Dan Murphy's	Oct-16	\$13.80m	1,070	5.02%	5.02%	13.8	\$12,892	Charter Hall
5 Brentford Square, Forest Hill	VIC	Dan Murphy's	Jun-16	\$6.325m	1,402	4.67%	4.67%	6.2	\$4,511	Private Investor
8 Portobello Road, Pakenham	VIC	Dan Murphy's	Sep-15	\$8.76m	1,438	5.56%	5.56%	10.8	\$4,492	Offshore Investor
1177 Pascoe Vale Road, Broadmeadows	VIC	Dan Murphy's	Aug-15	\$7.75m	1,244	5.60%	5.60%	10.0	\$6,230	Private Interstate Investor
330 Victoria Street, Gladesville	NSW	Dan Murphy's	Aug-15	\$11.51m	1,344	4.58%	4.58%	15.0	\$8,564	Private Investor
169 Crawford Street, Queanbeyan	NSW	Dan Murphy's	Aug-15	\$11.30m	1,400	4.72%	4.72%	16.0	\$8,071	Private Investor
601 Victoria Street, Abbotsford	VIC	First Choice	Mar-15	\$6.5m	1,127	6.81%	6.81%	8.5	\$5,768	Private Investor
1301 Point Nepean Road, Rosebud	VIC	First Choice	Oct-14	\$5.68m	1,275	4.81%	4.81%	9.8	\$4,437	Private Investor
5 Brentford Square, Forest Hill	VIC	Dan Murphy's	Jun-14	\$3.9m	1,402	7.69%	7.69%	8.2	\$2,782	Private Investor
567 Bridge Road, Richmond	VIC	Dan Murphy's	Mar-14	\$12.31m	1,900	5.36%	5.36%	5.9	\$6,474	Private Investor
21-35 Garsed Street, Bendigo	VIC	Dan Murphy's	Mar-14	\$5.5m	1,338	5.11%	5.11%	6.9	\$1,942	Private Investor



## EXTRACT 3

The key sales are shown in greater detail below. The market has continued to firm and the most recent sale is the June 2018 sale of a First Choice in Albury at 5.18%. The term is far inferior at 5 years. It is true that the lease offers fixed increases and so has some expectation of growth in the short term, however notably this tenancy had a recent market review where the rent fell from \$520k to \$350k which shows the potential volatility over time where the lease is relatively short and open to market reviews – which the subject is not. In addition, the First Choice brand is considered to be of far greater risk of closure and store rationalisation compared to Dan Murphy's. On the whole both are priced similarly and whilst Wangaratta is a smaller centre we consider the subject with its unproven outgoings to be on par at this point.

Other older sales include Wagga Wagga in 2016 at 5.2%, also with a limited growth outlook in our opinion, and Garsed Street Bendigo at 5.11% in 2014 which is superior with superior growth prospects (being opposite Bendigo Marketplace and trading around its threshold) with the market having firmed since.

Address - Tenant	Sale Date	Sale Price	Total Lettable Area	Int Yield	Core Market Yield	Term Certain/ WALE	\$/Sq.m GLA	Purchaser
<b>First Choice Albury</b> 417 Dean Street Albury NSW <i>First Choice Liquor</i>	Jun 2018	\$6,600,000	1,200	5.18%	5.18%	5.03 Years	\$5,500	Investor
	Purpose built freestanding premises of 1,200 sq.m. and 43 at grade car spaces. Leased to LiquorLand (Australia) Pty Ltd, owned by Coles which expires in 2023 and comprises 5 x 5-year options. Net lease agreement with 5 yearly base rent reviews capped at 10%. Situated to the eastern side of Albury's CBD area at the corner of Dean Street and Young Street/Riverina Highway with significant frontages to both. B3 Commercial Core zoning of 3,037 square metres, the sale price reflecting \$5,500 per m2 of site area improved. Sold at auction to a private investor. Notably the current tenure was a renewal of a 5 year option and it is understood the rent had fallen from \$520k to \$350k (before non recoverables) at market review.							
<b>98 Edward Street</b> Wagga Wagga NSW <i>Dan Murphy's</i>	Dec 2016	\$10,100,000	1,413	5.20%	5.20%	12 Years	\$7,148	Investor
	The property comprises a purpose-built Dan Murphy's outlet constructed circa 2013 comprising standard tilt slab construction. Improvements comprise main trading area, side loading dock with rear storage and first floor administration area. On grade car parking is provided to the front of the site. Lease commenced Dec 2013 upon construction on a 15-year term to Woolworths Limited (t/a Dan Murphy's) expiring December 2028 with 4 x 5 years of options. 5 yearly rent reviews calculated via the base rent plus the average percentage rent in the preceding three years. The lessee is liable for increases in statutory outgoings over the base year amount. Landlord obligations apply in relation to floor covering and ceiling replacement (20 years) and exterior painting (as required). The premises is well parked with 58 car spaces on title reflecting 4.1 cars per 100sqm of lettable area. The property was sold via an EOI campaign with the passing rent considered to be within market parameters. The property is currently trading below turnover threshold by in the order of 7%.							
<b>5 Brentford Square</b> Forest Hill VIC <i>Dan Murphy's</i>	Jun 2016	\$6,325,000	1,402	4.67%	4.67%	6.2 Years	\$4,511	Investor
	Strata double storey brick retail premises situated within Brentford Square shopping centre, which is located to the southern side of Canterbury Road 900 metres east of its intersection with Springvale Road. Accommodation provides conventional ground floor retail of approximately 1,000 sqm with 400 sqm office to level one. Provided dual street frontage with Greenwood Lane to the rear, with high clearance roller shutter door allowing for delivery access. Brentford Square is anchored by a Woolworths Supermarket and includes other major tenants such as Bakers Delight, Commonwealth Bank and Australia Post. Triple net lease in place, Woolworths paying all land tax and maintenance. Selling agent disclosed Woolworths would spend \$500,000 on upgrading lighting and fixtures in 2016. Base rent of \$300,000 with non-recoverable insurance being \$4,465. Percentage rent requirement of 2% over \$15m and 1.5% over \$20m. We understand the tenant are still some time off meeting the turnover threshold. We note the property last sold in April 2014 for \$3.9m reflecting a yield of 7.69%.							

EXTRACT 3  
CONTINUED

Address - Tenant	Sale Date	Sale Price	Total Lettable Area	Int Yield	Core Market Yield	Term Certain/WALE	\$/Sq.m GLA	Purchaser
8 Portobello Road Pakenham VIC Dan Murphy's	Sep 2015	\$8,760,000	1,438	5.56%	5.56%	10.8 Years	\$4,492	Investor
	The property comprises a c. 2011, purpose built, freestanding single level retail premises leased to Dan Murphy's, located on the Princes Highway, 55 kilometres south-east of the Melbourne CBD. 15-year lease agreement with lessee liable for increases in outgoings on base year. Percentage rent payable at 2.5% b/n \$16m-\$19 and decreasing thresholds thereafter. Premises includes a balance land component of 5,750 square metres which we have assessed at \$400 psm in our analysis herein. Sold to a private Chinese investor.							
169 Crawford Street Queanbeyan NSW Dan Murphy's	Aug 2015	\$11,300,000	1,400	4.72%	4.72%	16 Years	\$8,071	Investor
	The property comprises a modern purpose built, freestanding single level retail premises leased to Dan Murphy's, located on the corner of Crawford Street and Morisset Street in Queanbeyan which essentially forms part of Canberra urban area, being 15 kilometres east of the Canberra city centre. Improvements comprises a 1,400 square metre building along with 41 car spaces. 15-year gross lease commencing in Aug-2015. Tenant liable for percentage rent at 3% in excess of base rent an increase in yr 1 outs over base year and less than \$21.5m, 2.5% b/n \$21.5m - \$23.5m and 2% in excess of \$23.5m. Tenant had only been trading for 4 weeks as at the date of sale, speculated that percentage rent could be achieved within the first 5 years of the term. Conventional shaped allotment of 3,075 square metres. Sale and leaseback. Sold at auction to a NSW private investor.							
1301-1311 Point Nepean Road Rosebud VIC First Choice	Oct 2014	\$5,657,500	1,275	4.81%	4.81%	9.8 Years	\$4,437	Investor
	The property comprises a modern, purpose built, freestanding c. 2012 single level retail premises leased to First Choice Liquor, located on the Point Nepean Highway in Rosebud, on the Mornington Peninsula. Improvements comprises a 1,275 square metre building with clear span retail chamber and rear cool rooms and storage component. 41 car spaces (3.2 car spaces per 100sqm of lettable area) provided via front and rear car parking components with vehicular ingress/egress provided via point Nepean Road and an egress to the rear McCombe Street. No percentage rent clause in the Lease and the tenant is not required to provide turnover, however benefits from annual reviews (lessor of CPI and 3.25%). The area is highly competitive for Liquor led by LiquorLand at Rosebud Plaza, along with BWS, Bottlemart, Ritchies IGA, Thirsty Camel and a range of independent operators, the nearest Dan Murphy's being in Mornington.							
21-35 Garsed Street Bendigo VIC Dan Murphy's	Mar 2014	\$5,500,000	1,338	5.11%	5.11%	6.9 Years	\$1,942	Private Investor
	2006 constructed, freestanding building. At-grade parking for 51 cars. C1Z site of 4,048 sq.m. Location adjoins Bendigo Marketplace, a sub-regional centre. 15-year lease plus 3 five-year options. Gross lease, outgoings estimated at \$60 psm GLAR. Post stabilisation of the centre the turnover has wavered marginally above the turnover threshold, albeit under the threshold to Feb-13, then back above the threshold to Feb-14. Next market review (to base rent of preceding 3 lease years) is due in Feb-2016, at this stage the rent is to increase a nominal amount and the rental increase in the 2 coming lease years is difficult to judge. For analysis purposes we have capitalised the market rental without any percentage rent, albeit with reasonable growth prospects. Sold after expression of interest campaign, reported 9 offers, purchaser is a local private investor.							

On the whole we consider Lot 2 to have a market yield As If Complete at 5.25%. Our capitalisation calculation is shown together with the assessment of the land values for Lots 1 & 3. Our assessment equates to a rounded value of \$5,275,000 which equates to \$4,124 psm of lettable area and this is consistent with the market evidence on a direct comparison basis.

## EXTRACT 4

**10. Valuation Rationale – Land Value Assessment Lot 2 with Subdivision works As Is Complete**

With the benefit of the Dan Murphy's precommitment the subject has no directly comparable market evidence and the only appropriate method of valuation is the hypothetical development approach. In completing our assessment we have adopted the following scheme and value drivers.

Presumed a sale of Lot 2 with the Dan Murphy's works As If Complete including deduction of the outstanding rent free period at that point as follows:

Proposed Lot	Description	Gross Realisable Values
Lot 2	Dan Murphys	
	Gross Rent	
	1279 m2 @	\$254.10
		\$325,000
	Less Provision for Outgoings	
	NLA 1279 m2 @	\$37.50
		\$47,963
	Net Market Rent 1279 m2 @	\$216.60
		\$277,038
	Capped @	5.25%
		\$5,276,905
	Less Rent Free 4 months rent	
		-\$108,333
	Lot 3 (Dan Murphys) Adopted value	\$5,168,571

# 09 THE RESPONSIBLE ENTITY

## 9.1 KEY CAPITAL LIMITED

KCL was incorporated on 14 December 2004 and holds AFSL No. 287725. KCL's AFSL authorises it to act as the responsible entity of the Fund.

## 9.2 THE DIRECTORS OF KCL

The Directors of KCL collectively have extensive experience in the areas of accounting, funds management, property management, corporate governance, compliance and internal audit.

### **George Nikakis – Executive Chairman**

B. Bus FCPA

George is responsible for the efficient and effective day to day management of Key Capital. He is intimately involved in the finance, compliance and governance matters, as well as taking a lead role in the property management administration.

As Chief Executive Officer of Flag International Hotels Limited (now known as Choice Hotels), George was responsible for the finance, corporate services, governance, marketing and sales strategy for a portfolio of over 400 hotels and leisure destinations. His particular skills lie in being able to identify opportunities for improving profitability and management outcomes.

George is a fellow of Australian Society of Certified Practising Accountants (FCPA). He brings with him over 30 years of senior management experience with local and international property trusts, tourism and hospitality, not-for-profit membership and manufacturing based companies.

George works closely with a number of private clients on managing their property investments and is Director of Figureworks Pty Ltd.

George is the Key Capital Limited Company Secretary and a Responsible Manager for the Australian Financial Services Licence.

### **Stephen Nicholls – Executive Director**

B. Bus Eco/InfoSys, Dip Retail/Tourism, Dip FP (RG146), Dip Finance/Mortgages

Stephen is responsible for company strategy, property transactions, property leasing, corporate marketing, mergers and acquisitions for Key Capital. He is intimately involved in the asset management, property fund business and corporate finance matters on a day to day basis.

Stephen has been responsible for the formation and sale of over \$3b in property investments over the last 20 years. He has worked in the retail, commercial property, superannuation and finance sectors.

During his career, Stephen has accumulated hands-on skills to manage and lead businesses.

Stephen's career includes international investment experience working for companies such as Vicinity Centres (ASX: VCX), AXA Asia Pacific Holdings, Wesfarmers (ASX: WES subsidiary Bunnings Building Supplies) and most recently, General Manager - Investment & Distribution with the netwealth group (ASX: NWL). Stephen is Owner/Partner of an established residential and commercial mortgage brokerage and is Director of Property Partners Invest Limited.

Stephen is a member of the Key Capital Limited Audit Committee and Remuneration Committee. Stephen is a Responsible Manager for the Australian Financial Services Licence.

### **James Permezel – Non-Executive Director**

Qualified Estate Agent and Auctioneer

James comes to Key Capital Limited with broad experience in real estate and property development. He commenced his career in 1984 with Jones Lang LaSalle, where he variously held the positions of Head Auctioneer and Director.

In the mid 1990's, James headed the marketing and development team for Vaughan Constructions, further enhancing his experience in property development subdivisions and the construction of offices and warehouses for both owner occupiers and tenants. He currently acts as a consultant in the property development space and is involved with both private investors and developers.

# 10 ADDITIONAL INFORMATION

## 10.1 FUND CONSTITUTION

The Fund is governed by a Constitution dated 12 August 2019. The Constitution and amendments have been lodged with ASIC.

The Responsible Entity cannot amend the Constitution without the consent of Unit Holders (at a meeting convened in accordance with the Corporations Act) unless the Responsible Entity reasonably believes that such amendment will not adversely affect the rights of Unit Holders.

In summary, the Constitution addresses the following matters:

### Unit Holders' Rights and Obligations

The beneficial interest in the Fund is divided into Units. Each Unit confers on the Unit Holder a beneficial interest in the Fund as a whole and does not currently confer an interest in a particular part of the Fund or the Fund's assets.

### Issue of Units

The Responsible Entity may issue Units in accordance with the Constitution. The Responsible Entity may accept or refuse, in whole or in part, any application for Units without being bound to give a reason.

### Classes of Units

Under the Constitution, the Responsible Entity may issue ordinary Units (partly or fully paid) and may also create different classes of Units.

### Issue Price of Units

The Constitution contains provisions for calculating the Issue Price of Units. The Issue Price of Units issued under this PDS will be \$1.00 per Unit. At other times, the Responsible Entity may issue Units at NAV per Unit (plus any applicable transaction charge).

### Redemption and transfer

The Constitution allows the Responsible Entity to redeem Units upon request, at its discretion. Except as expressly set out in this PDS, the Responsible Entity does not intend to redeem Units during the term of the Fund.

Unit Holders have no right to withdraw their investment in the Fund other than in accordance with the terms of a withdrawal offer made by the Responsible Entity. The Responsible Entity is under no obligation to make Unit Holders a withdrawal offer.

Subject to applicable stamping and registration requirements, Units may be transferred by a written document in the form required by the Responsible Entity. The Responsible Entity may suspend registration of transfers for any period and in some circumstances may refuse to register a transfer.

### Liability of Unit Holders

Subject to any agreement to the contrary with the Responsible Entity and also subject to any obligation to pay instalments on partly paid Units, the liability of each Unit Holder in its capacity as such is limited to its investment in the Fund.

### Responsible Entity's powers and duties

The Responsible Entity has all the powers that it is possible to confer on a trustee or responsible entity and has all the powers that are incidental to ownership of the Fund's assets as though it were the absolute and beneficial owner of those assets.

The Responsible Entity may, without limitation, acquire, dispose of or otherwise deal with any real or personal property, borrow or raise money, encumber or secure any asset, incur any liability, enter into derivatives, grant any indemnity or guarantee or fetter any power.

The Responsible Entity may appoint delegates or agents (including the Manager) to perform any act or exercise any of its powers, as well as advisers to assist it with its duties and functions.

### Valuation of assets

The Responsible Entity may, at any time, arrange for a Fund asset to be valued and must also do so as and when required by the Corporations Act. The Responsible Entity is not to be regarded as having the knowledge of a valuer or any other expertise in respect of the valuation of assets. Each asset must be valued at its market value current at the time of valuation unless the Responsible Entity determines that:

1. There is no market in respect of the asset; or
2. The market value does not represent the fair value of the asset.

### Responsible Entity's limitation of liability

Except where the Corporations Act expressly provides otherwise, the Responsible Entity and each Director and officer of the Responsible Entity are not personally liable to a Unit Holder or any other person in connection with the office of Responsible Entity or Director or officer of the Responsible Entity.

The Responsible Entity will not be liable to any Unit Holder or any other person to any greater extent than the extent to which it is indemnified out of the Fund assets to which it has access.

### Indemnities

The Responsible Entity has all the rights of indemnity of a trustee at law. In addition to any other right of indemnity which it may have under the Constitution or at law, the Responsible Entity is indemnified for and entitled to be reimbursed out of, or to have paid from the Fund assets, all costs and liabilities incurred in the proper performance of its duties, in the exercise of its powers, in the course of its office or in relation to the administration or management of the Fund. The Constitution also provides for certain indemnities to be provided in favour of Compliance Committee members.

### Unit Holder meetings

The Responsible Entity may at any time convene a meeting of Unit Holders.

If the Responsible Entity proposes to extend or renew the term of the Fund (see Section 2.3 of this PDS), the Responsible Entity will convene a meeting for that purpose.

### Voting rights

On a show of hands, each Unit Holder present in person or by proxy will have one vote. On a poll, each Unit Holder will be entitled to one vote for each dollar of the value of their Unit holding.

### Rights on winding up

Under the Constitution, the Responsible Entity may terminate the Fund at any time.

On winding up of the Fund following its termination, the net proceeds of realisation of the assets of the Fund, after discharging or providing for all liabilities of the Fund, must (subject to any rights of any partly paid Unit terms) be distributed pro-rata to Unit Holders according to the number of Units held.

## 10.2 ROLE AS RESPONSIBLE ENTITY

The Responsible Entity's main responsibilities are to operate and manage the Fund in accordance with the Constitution and the Corporations Act.

In carrying out its duties the Responsible Entity must:

- > Act honestly and in the best interests of Unit Holders.
- > Exercise care and diligence.
- > Treat Unit Holders of the same class equally and Unit Holders of different classes fairly.

### Board composition

The Board of the Responsible Entity meets on a regular basis and is required to discuss pertinent business developments and review the operations and performance of the Fund. The Board of the Responsible Entity currently comprises an Executive Chairman, Executive Director and Independent Non-Executive Director.

### The compliance plan

As required by law, the Responsible Entity has prepared and lodged with ASIC a Compliance Plan that sets out the measures which the Responsible Entity will apply in operating the Fund to ensure compliance with the Corporations Act and the Constitution. A copy of the Compliance Plan is available upon request, free of charge, from the Responsible Entity's offices.

### Continuous disclosure

As a disclosing entity under the Corporations Act, the Fund is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. Unit Holders have a right to obtain a copy of the following documents:

- > The annual financial report for the Fund most recently lodged with ASIC.
- > Any half-year financial report for the Fund lodged with ASIC.
- > Any continuous disclosure notices for the Fund given to ASIC.

The Responsible Entity's main method of communicating with Unit Holders will be through its website [keycapital.com.au](http://keycapital.com.au)

All important information will be placed on the website in a timely manner. Unit Holders will also be provided the option to receive information updates by email. Fund updates will be placed on the website or sent to investors annually.

### 10.3 RELATED PARTY AND CONFLICTS OF INTEREST POLICY

Related party transactions can carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. It is important for investors to be able to assess whether the Responsible Entity takes an appropriate approach to related party transactions. A significant number or value of such transaction may mean that investors should consider the financial position of the related group as a whole and the risk of potential conflicts of interest.

All transactions in which the Responsible Entity may have a potential or actual conflict of interest will be conducted in accordance with the Responsible Entity's related party transactions policy 'Related Party and Conflicts of Interest Policy'.

Under this policy, the Responsible Entity may be required to disclose conflicts of interest to Unit Holders and to ensure that its disclosure is timely, prominent, specific and meaningful, and contains enough detail to understand and assess the potential impact on the service provided by the Responsible Entity.

These conflict situations will be assessed and evaluated by the compliance manager for the Responsible Entity and, if the compliance manager considers it necessary, the matter will be referred to the Responsible Entity's legal counsel and board, with steps outlined to ensure that the conflict is managed in an appropriate manner.

For more detail on the Responsible Entity's policy and procedures for related party transactions, please contact the Responsible Entity or visit [keycapital.com.au](http://keycapital.com.au)

### 10.4 COMPLAINTS HANDLING

KCL takes complaints seriously and aims to resolve them as quickly as possible. If you have a complaint, please notify KCL in writing. Address your complaint to:

**Complaints Officer**

Key Capital Limited  
Level 3, 2 Brandon Park Drive  
Wheelers Hill VIC 3150

KCL will promptly acknowledge your complaint, investigate it and decide in a timely manner what action needs to be taken. KCL will notify you of its decision, together with any remedies that are available, or other avenues of appeal against the decision.

If you are not satisfied with KCL's handling of your complaint, you can contact:

**Australian Financial Complaints Authority Limited**

GPO Box 3  
Melbourne VIC 3001  
Telephone: 1800 931 678  
Fax : (03) 9613 6399  
Website: [afca.org.au](http://afca.org.au)

### 10.5 PRIVACY STATEMENT

KCL respects your right to privacy. In completing the Application Form and communicating with us, you provide the Responsible Entity with your personal contact details. The disclosed personal information will only be used for the purpose for which it was disclosed. Your personal information will be used to identify you, process your application, establish and manage your investment and maintain our records or a related purpose, which would reasonably be expected without your permission. The Responsible Entity may not be able to do these things without your personal information.

Some personal information is collected as required or authorised by laws such as the Corporations Act and the Anti-Money Laundering and Counter-Terrorism Financing Act.

From time to time the personal information may be used to inform you on an ongoing basis of investment opportunities or to provide information about products and services, which the Responsible Entity considers may be of interest to you.

By completing the Application Form, you consent for the purpose of the Spam Act 2003 (Cth) to receiving commercial electronic messages and other promotional communications from the Responsible Entity or any other entity associated with the Responsible Entity. However, if you wish to request no information of that nature be sent to you, please contact the Privacy Officer (contact details below) and the Responsible Entity will not send this information to you.

**Privacy Officer**

Key Capital Limited  
Level 3, 2 Brandon Park Drive  
Wheelers Hill VIC 3150  
Email: [investors@keycapital.com.au](mailto:investors@keycapital.com.au)  
Telephone: (03) 9566 7218

Your personal information may be disclosed to tax and regulatory authorities, service providers who provide services in connection with your investment to the Responsible Entity (e.g. registry, technology, administration and mailing services) or the Responsible Entity may provide information about you to your nominated financial adviser.

The Responsible Entity takes all reasonable steps to protect your personal information. Under the Australian Privacy Principles, you may access personal information about you held by the Responsible Entity. If you have any queries or concerns about privacy or wish to access or correct any personal information the Responsible Entity may hold about you, please contact our Privacy Officer as set out above.

The Responsible Entity may need to verify your identity. In the case of access and correction requests, please provide as much detail as you can about the particular information you seek, in order to help the Responsible Entity locate it. The Responsible Entity will provide its reasons if it denies any request for access to or correction of personal information.

The Responsible Entity takes your privacy concerns seriously. Where you express any concerns that it has interfered with your privacy, the Responsible Entity will respond to let you know who will be handling your matter and when you can expect a further response.

## 10.6 CUSTODIAN

The Responsible Entity has appointed Sandhurst Trustees Limited to act as custodian of the Fund's assets. The Custody Agreement sets out the Custodian's role and its rights and obligations and includes a limitation of liability clause.

The key terms of the Custodian Agreement are:

1. The Custodian Agreement between the Responsible Entity and the Custodian sets out the terms of their relationship in relation to the Fund. The Custodian Agreement, which is dated 11 July 2005, and amended from time to time, provides for the Responsible Entity to direct the Custodian to hold the assets of the Fund as agent for the Responsible Entity.
2. The Custodian is required to act on instructions from the Responsible Entity and maintain compliance with ASIC Regulatory Guide 133 as it applies to third party custodians. The Custodian is indemnified by the Responsible Entity in respect of matters arising out of the Custodian's proper performance of its duties under the Custodian Agreement. The Custodian is liable to the Responsible Entity and to the Fund for any failure to comply with its duty to exercise all due care and to act honestly in good faith without negligence or default in carrying out its obligations under the Custodian Agreement.
3. The Custodian Agreement may be terminated by either party by giving the other party not less than 60 days' notice in writing, by the Responsible Entity immediately on giving notice in writing to the Custodian if the Custodian has acted or omitted to act or intends to act in a manner which, in the opinion of the Responsible Entity, constitutes or is likely to constitute a fraud, negligence, wilful default or breach of the Custodian Agreement, or as otherwise agreed.

## 10.7 DEBT FACILITY DETAILS

A facility has been secured with the Bank on the following terms (Debt Facility):

Borrower	Key Capital Retail Fund No. 9
Facility	\$2.53 million, and a maximum of 55% of the valuation
Lender	Westpac Banking Corporation
Term	3 to 4 years
LVR	55%
ICR	2 times
Security	First ranking mortgage in respect of 7 Baker Street, Wangaratta, and General Security Agreement over all assets of the Key Capital Retail Fund No. 9

## 10.8 VALUATION POLICY

The Responsible Entity has a Valuation Policy that describes the processes involved to ensure that Fund real estate assets are properly valued in a manner appropriate to the nature of the asset. This includes the frequency of valuation and the appointment of independent valuers. A copy of the Responsible Entity's Valuation Policy is available on request by contacting the Responsible Entity.

The policy requires only valuers who have appropriate qualifications and experience to be appointed. It also contains procedures for rotating valuers and for related party transactions.

The intention is that the Property will be independently valued each year by a qualified valuer. An independent valuation is also to be obtained within two months after the Directors of the Responsible Entity form the view there is likelihood that there has been a material change in the value of the Property.

Knight Frank independently valued the Property in March 2019 for \$5.275 million as complete. A summary of the valuation is set out in Section 8.

## 10.9 NAMING CONSENTS

Each of the following parties have given their written consent to be named in this PDS in the form and context in which they are named, and they have not withdrawn that consent:

- > Sandhurst Trustees Limited
- > Woolworths Limited (Endeavour Drinks) trading as Dan Murphy's

## 10.10 ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) requires us to conduct identification and verification checks prior to accepting your investment. You will be required to provide the identification information set out in the Application Form. We will not issue you with Units unless satisfactory identification documents are provided.

The Responsible Entity is required to collect and verify 'Know Your Customer' information, which may vary by investor type. In some instances, we may be required to conduct enhanced due diligence before being able to proceed with your application.



### 10.11 LABOUR STANDARDS, ENVIRONMENTAL, ETHICAL CONSIDERATIONS

The Responsible Entity does not take into account labour standards, environmental, social or ethical considerations when making or realising an investment of the Fund.

### 10.12 FUTURE ISSUES OF UNITS

The Responsible Entity may issue further units (this does not include any Units issued under this PDS) if it considers doing so would be in the best interest of Unit Holders. Any further issue of Units is to be supported by an independent expert's report confirming that the raising is 'fair and reasonable'.

The Responsible Entity may raise further equity by a number of methods, including:

- > the issue of fully or partly paid Units;
- > discounted or non-discounted pro-rata rights offer to all Unit Holders; or
- > the issue of separate classes of Units.

The Responsible Entity may enter into arrangements with underwriters or other entities to support a further issue of Units. Any fees payable to underwriters or other entities to acquire the Units will be paid for by the Fund.

### 10.13 UNIT HOLDER ENQUIRIES AND ADDITIONAL INFORMATION

Unit Holders can call Investor Services on (03) 9566 7218 during normal business hours. Alternatively, you may write to the Responsible Entity at the following address:

**Key Capital Limited**

Level 3, 2 Brandon Park Drive  
Wheelers Hill VIC 3150

Email: [investors@keycapital.com.au](mailto:investors@keycapital.com.au)

Information regarding the Fund is available on the Responsible Entity's website [keycapital.com.au](http://keycapital.com.au)

# 11 GLOSSARY

**ABN**

Australian Business Number

**ACN**

Australian Company Number

**AFSL**

Australian financial services licence

**AML/CTF Act**

Anti-Money Laundering and Counter-Terrorism Financing Act 2006

**Application Form**

The application form attached to this PDS

**ASIC**

Australian Securities and Investments Commission

**Bank**

Westpac Banking Corporation

**CGT**

Capital gains tax

**Compliance Committee**

The Compliance Committee of the Responsible Entity as required under the Corporations Act

**Compliance plan**

The compliance plan for the Fund lodged with ASIC, as amended from time to time

**Constitution**

The Constitution for Key Capital Retail Fund no 9 dated 12 August 2019, as amended from time to time

**Corporations Act**

Corporations Act 2001 (Cth)

**Custodian**

Sandhurst Trustees Limited

**Dan Murphy's**

Woolworths Group Limited, trading as Dan Murphy's

**Debt Facility**

The loan facility provided by the Bank to the Responsible Entity for a period of 3 or 4 years

**EBITDA**

Earnings before interest, tax, depreciation, straight lining of rentals and amortisation of borrowing costs

**Facility limit**

Up to 55% of the bank valuation at the time

**Forecast period**

1 December 2019 to 30 June 2020

**Fund**

The Unit trust named Key Capital Limited ARSN 635 964 804 established by the Constitution

**Gearing ratio**

The ratio as set out in Section 2.4

**Gross Asset Value or GAV**

The gross value of the Fund's assets

**GST**

Goods and services tax

**Indirect investors**

Investors who access the Fund through a Wrap Account

**Interest Cover Ratio or ICR**

The ratio as set out in Section 2.4

**IRR**

Internal rate of return

**Issue price**

Fixed price at which an interest in the Fund is offered to the public. The issue price per Unit issued under this PDS is \$1.00

**KCL**

Key Capital Limited ACN 112 191 198

**KCL 3**

Key Capital Property Fund No. 3 ARSN 121 439 129

**Knight Frank**

Knight Frank Valuation & Advisory Services was appointed by Westpac. Independent Valuation Section includes extracts from a valuation report provided to the bank

**Liquidity event**

Any event where:

- (a) having conducted the appropriate assessments, the Responsible Entity determines that the Property may be marketed for sale for a price which is not less than \$6 million; and
- (b) any other liquidity event which may be determined by the Responsible Entity

**Management fee**

The management fee set out in Sections 5.1 and 5.2 of this PDS

**Minimum Application amount**

A minimum of 20,000 Units (\$20,000) which must be applied for under the Offer

**Net asset value or 'NAV'**

The value of the assets of the Fund less the following:

- > all amounts required to repay any borrowings and to meet all liabilities (including the amount of any provisions the Responsible Entity determines) but excluding liabilities (if any) to Unit Holders in respect of Units;
- > following any distribution calculation date, and without double counting, the amount of any distributable income payable but not paid to Unit Holders on the day on which the Net Asset Value is determined; and
- > any amount paid in advance of a call on a partly paid Unit

**NAV per Unit**

NAV calculated under the Constitution divided by the number of Units on issue in the Fund

**Net lettable area or NLA**

Net lettable area has the meaning as that set out in 'Method of Measurement for Lettable Area 1997' published by the Property Council of Australia

**Net tangible assets or NTA**

The net tangible assets of the Fund as set out in Section 2.4 of this PDS

**Offer**

The offer of ordinary Units under this PDS

**Offer closing date**

The date the Total Offer Amount is reached unless the Responsible Entity closes the Offer at an earlier time in its discretion

**Ordinary Resolution**

A resolution passed at a meeting of Unit Holders by at least 50% of the votes cast by Unit Holders entitled to vote on the resolution

**PDS**

Product Disclosure Statement

**Performance fee**

The performance fee set out in Section 5.1 and 5.2 of this PDS

**Property**

7 Baker Street, Wangaratta

**Registry**

Managed by Key Capital Limited

**Related party and Conflicts of interest policy**

KCL's related party and conflicts of interest policy as described in Section 10.3

**Responsible Entity**

Key Capital Limited ACN 112 191 198; AFSL 287725

**RG 46**

ASIC Regulatory Guide 46: Unlisted property schemes—improving disclosure for retail investors

**sq.m**

Square metres

**psq.m**

Per square metre

**TFN**

Tax file number

**Total offer amount**

Up to \$3 million

**Transaction fee**

The transaction fee set out in Sections 5.2 and 6.4 of this PDS

**Unit**

A unit in the Fund

**Unit Holder**

A holder of Units

**Valuation policy**

KCL's valuation policy as described in Section 10.8

**Wrap account**

Means an investor directed portfolio service (IDPS) or IDPS-like scheme.

# 12 FORMS

## Investment Application Form Identification Form

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### MAIL YOUR COMPLETED FORMS WITH YOUR CHEQUE(S) TO:

Key Capital Limited  
PO Box 3167, Brighton Vic 3186

### ELECTRONIC FUNDS TRANSFER

Account Name: Key Capital Retail Fund No.9  
BSB: 033029  
Account No: 177855

# KEY CAPITAL RETAIL FUND NO. 9

## Investment Application Form



ARSN 635 964 804

Product Disclosure Statement dated 15 November 2019 | Issued by Key Capital Limited, ABN 81 112 191 198, AFSL 287725 ("KCL").

Complete this form using BLACK ink and print well within the boxes in CAPITAL LETTERS. Mark appropriate answer boxes with a cross (X).

### SECTION 1 – INVESTMENT

Please mark with a cross (X) one of the boxes to indicate who is making the investment.

Individual Investor

Joint Investor

Trustee for Super Fund

Executor of an Estate

Company

Trustee for Family Trust

Minimum application is \$20,000.

Investment amount \$

### SECTION 2 – APPLICANT(S) DETAILS

**A** Individual Investor,  
Joint Investor 1,  
Company Director 1,  
Executor 1 or Trustee 1

Title Given name(s) Surname

Date of birth (dd/mm/yyyy) Tax File Number

**B** Joint Investor 2,  
Company Director 2,  
Executor 2 or  
Trustee 2

Title Given name(s) Surname

Date of birth (dd/mm/yyyy) Tax File Number

**C** Name of Investing  
Company, Association,  
Body or Trustee  
Company if applicable

Name

ABN

TFN

**D** Account Designator  
(name of Super Fund,  
Trust, Deceased Estate or  
other entity of person)

AFT

ABN

TFN

Please complete this section if you are investing on behalf of a Company.

Please include your TFN in the space provided (A or B) to ensure tax is not deducted from distributions.

If any of the investors above are exempt from providing a TFN and/or ABN, please provide the reason for the exemption (e.g.: Sole Parent Benefits, Service Pension)

### SECTION 3 – CONTACT DETAILS

Please enter all relevant contact details, including your daytime telephone number, in case we need to contact you in relation to your application.

Syndicate Reports, Tax and Investment Statements will be emailed from time to time.

Contact Person for this investment

Email address

Mailing address

State

Postcode

Daytime phone number

After hours phone number

Fax number

Mobile number

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## SECTION 4 – ADVISOR DETAILSTITLE ADVISOR

If you use a Financial Advisor, please have them sign this section.

*By signing this application the Advisor is confirming that they hold a current AFS Licence and are authorised to deal in and/or advise on managed investment products.*

Title	Advisor given name(s)	Advisor Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>
Advisor Company (if applicable)		
<input type="text"/>		
Licensed Dealer		
<input type="text"/>		
Dealer Licence Number		Advisor Signature
<input type="text"/>		<input type="text"/>

---

## SECTION 5 – ADDITIONAL INVESTMENT ENQUIRER

*If you would like someone other than the Contact or Advisor to enquire about this investment, please provide us with their details here.*

Title	Given name	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of birth (dd/mm/yyyy)		
<input type="text"/>		
Company (if applicable)		
<input type="text"/>		

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## SECTION 6 – DECLARATION AND AUTHORISATION

Name that appears on the Account	
<input type="text"/>	
Name of Financial Institution	
<input type="text"/>	
BSB	Account number
<input type="text"/>	<input type="text"/>

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## SECTION 7 – DISTRIBUTION PAYMENTS

This application forms part of the PDS which contains information which should be read before you apply. The Applicant agrees to be bound by the PDS, and provisions of the Constitution of the Key Capital Retail Fund No. 9 (as amended and as it may be amended from time to time in the future) and acknowledges that neither KCL nor Sandhurst Trustees Limited nor any staff or subsidiaries of those entities guarantees the performance of the Syndicate or the repayment of capital. The Applicant further acknowledges that any subscription is subject to investment risk including the possible loss of income and capital invested and that KCL and its related entities do not in any way guarantee to stand behind the capital value and/or performance of the Syndicate other than as specifically provided in the PDS. Any application for units can be accepted by KCL at any time.

If the application is signed by more than one person, who will operate the account  Any to sign  All to sign together

Signature A	Date (dd/mm/yyyy)	Signature B	Date (dd/mm/yyyy)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Name		Name	
<input type="text"/>		<input type="text"/>	
If a Company Officer or Trustee, you MUST specify your title:		If a Company Officer or Trustee, you MUST specify your title:	
<input type="checkbox"/> Director <input type="checkbox"/> Sole Director <input type="checkbox"/> Trustee		<input type="checkbox"/> Director <input type="checkbox"/> Sole Director <input type="checkbox"/> Trustee	
Other	<input type="text"/>	Other	<input type="text"/>

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**Cheques must be made payable to:** Key Capital Retail Fund No.9 Applications Account

Only cheques in Australian currency and drawn on an Australian bank will be accepted. Your cheque(s) should be crossed NOT NEGOTIABLE.

**Mail your completed application form with your cheque(s) to:** Key Capital Limited – PO Box 3167, Brighton Vic 3186

# KEY CAPITAL RETAIL FUND NO. 9

## Identification Form



ARSN 635 964 804

Product Disclosure Statement dated 15 November 2019 | Issued by Key Capital Limited, ABN 81 112 191 198, AFSL 287725 ("KCL").

Complete this form using BLACK ink and print well within the boxes in CAPITAL LETTERS.  
Mark appropriate answer boxes with a cross (X).

### VERIFICATION DETAILS – INDIVIDUALS

To be completed by individuals, individual trustees, joint individuals, joint individual trustees or sole traders.  
Trustee Applicants also complete the trustee verification details.

#### OPTION 1

Provide ONE original certified copy of one primary identification document.

- Valid Australian state or territory driver's licence containing a photograph of the person
- Australian passport (a passport expired within the preceding two years is acceptable)
- Card issued by a state or territory for the purposes of proving a person's age containing a photograph of the person
- Valid foreign passport or similar travel document containing a photograph and the signature of the person (and if applicable, an English translation by an accredited translator)

#### OPTION 2

Provide TWO original certified copies of secondary identification documents, one from A and one from B.

##### CATEGORY A

- Australian birth certificate
- Australian or foreign citizenship certificate
- Pension or health card issued by Centrelink
- Valid Medicare card

##### CATEGORY B

- A document issued by the Commonwealth or a state or territory within the preceding 12 months that records the provision of financial benefits
- A document issued by the ATO within the preceding 12 months that records a debt payable by the individual to the Commonwealth (or the Commonwealth to the individual), which contains the individual's name and residential address (block out any TFN references)
- A document issued by a local government body or utilities provider within the preceding three months which records the provision of services (must contain the individual's name and residential address)
- Australian marriage certificate
- If under 18 years old, a notice issued to the individual by a school principal within the preceding three months, that contains the name, residential address and the period of time attended at that school

# KEY CAPITAL RETAIL FUND NO. 9

## Identification Form (continued)

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### VERIFICATION DETAILS – TRUSTEES

To be completed by ALL trustee Applicants – individual trustee(s) also complete the individuals verification details, and corporate trustee(s) also complete the corporate verification details.

For registered managed investment schemes or government superannuation funds, please contact us or provide the relevant FSC/FPA Form.

#### OPTION 1 SELF MANAGED SUPER FUND APPLICANTS

Provide a copy of one identification document

- A search extract from the ASIC, ATO or relevant regulator's website (e.g. 'Super Fund Lookup' at [superfundlookup.gov.au](http://superfundlookup.gov.au))
- An original certified copy or extract of the trust deed

#### OPTION 2 ALL OTHER TRUST APPLICANTS

Provide an original certified copy of one identification document

- A notice issued by the ATO within the last 12 months (block out any TFN references)
- An original letter from a solicitor or qualified accountant that confirms the full name of the trust and its appointer and settlor
- An original certified copy or extract of the trust deed

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Provide the full name, address, date of birth and verification documents (see the verification requirements for individuals for further details) of the appointer of the trust:

Appointer name	<input type="text"/>		
Residential address	<input type="text"/>		
Suburb	<input type="text"/>	State	<input type="text"/>
Date of birth	<input type="text"/>	Postcode	<input type="text"/>

---

Provide details of all individuals who are beneficial owners through one or more holdings of more than 25% of the trust's issued capital:

Name (Beneficiary one)	<input type="text"/>		
Residential address	<input type="text"/>		
Suburb	<input type="text"/>	State	<input type="text"/>
Date of birth	<input type="text"/>	Postcode	<input type="text"/>
Name (Beneficiary two)	<input type="text"/>		
Residential address	<input type="text"/>		
Suburb	<input type="text"/>	State	<input type="text"/>
Date of birth	<input type="text"/>	Postcode	<input type="text"/>



# KEY CAPITAL RETAIL FUND NO. 9

## Identification Form (continued)

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### VERIFICATION DETAILS – CORPORATES

This section is only to be completed by corporate Applicants and corporate trustee Applicants that are Australian proprietary limited companies. For all other corporate Applicants, please contact us or provide the relevant FSC/FPA Form.

Provide a copy of one identification document

- A current and historical company information Company extract from the ASIC Connect website
- An original certified copy of a certificate of registration or a current annual company statement issued by ASIC

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Provide the full name of each director:

Name (Director one)	<input type="text"/>				
Name (Director two)	<input type="text"/>				
Name (Director three)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

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Provide details and verification documents (see the verification requirements for individuals for further details) of all individuals who are beneficial owners through one or more shareholdings of more than 25% of the company's issued capital:

Appointer name	<input type="text"/>				
Residential address	<input type="text"/>				
Suburb	<input type="text"/>	State	<input type="text"/>	Postcode	<input type="text"/>
Date of birth	<input type="text"/>				

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Provide the full name, address, date of birth and verification documents (see the verification requirements for individuals for further details) of the appointer of the trust:

Name (Beneficiary one)	<input type="text"/>				
Residential address	<input type="text"/>				
Suburb	<input type="text"/>	State	<input type="text"/>	Postcode	<input type="text"/>
Date of birth	<input type="text"/>				
Name (Beneficiary two)	<input type="text"/>				
Residential address	<input type="text"/>				
Suburb	<input type="text"/>	State	<input type="text"/>	Postcode	<input type="text"/>
Date of birth	<input type="text"/>				

# KEY CAPITAL RETAIL FUND NO. 9

## Identification Form (continued)

### WHAT IS A CERTIFIED COPY?

Certified copies are true copies of original documents with an original certification from the certifier. A certified copy is a document that has been certified as a true copy of the original document by one of the following persons:

- > an officer with, or authorised representative of, a holder of an AFSL, having two or more continuous years of service with one or more licensees;
- > an officer with two or more continuous years of service with one or more financial institutions (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- > a finance company officer with two or more continuous years of service with one or more finance companies (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- > 1993 (Cth);
- > a Justice of the Peace;
- > a notary public (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- > an agent of Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- > a permanent employee of Australian Postal Corporation with two or more years of continuous service who is employed in an office supplying postal services to the public;
- > a member of Chartered Accountants Australia and New Zealand, CPA Australia or the Institute of Public Accountants with two or more years of continuous membership;
- > a person who is enrolled on the roll of the Supreme Court of
- > a state or territory, or the High Court of Australia, as a legal practitioner (however described);
- > a judge of a court;
- > a magistrate;
- > a chief executive officer of a Commonwealth court;
- > a registrar or deputy registrar of a court;
- > a police officer; or
- > an Australian consular officer or an Australian diplomatic officer (within the meaning of the Consular Fees Act 1955 (Cth)).

### WHAT MUST THE CERTIFIER DO?

The certifier must confirm the copy is certified as a true copy of the original documentation and clearly state their name, category and date of certification. An example of appropriate certification wording is:

“I certify this (and the following pages, each of which I have signed/initialled) to be a true copy of the document shown and reported to me as the original.”

Please note certification is only accepted if within two years of date of application.

### REGISTRABLE NAMES

Only legal entities (such as companies and superannuation funds, natural persons etc) are allowed to hold interests in the Fund. The application must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Responsible Entity. For trusts, the name of the beneficiary or any other nonregistrable name may be included by way of an account designation if completed exactly as described in the example of correctly registrable names shown below.

Type of investor	Correct form of registrable name	Incorrect form of registrable name
<b>Individuals</b>	John Alfred Smith	JA Smith
<b>Companies</b> Use company name, do not use abbreviations	ABC Pty Limited ABC Co	ABC P/L
<b>Trusts</b> Use trustee(s) personal names, do not use name of the trust	Sue Smith ATF <Sue Smith Family Trust>	Sue Smith Family Trust
<b>Deceased estates</b> Use executor(s) personal names, do not use name of the deceased	John Smith <Est Jane Smith A/c>	Estate of the Late Jane Smith
<b>Clubs/unincorporated bodies/ business names</b> Use office bearer(s) name(s), in addition to name of the club etc	Michael Smith <ABC Tennis Association A/c>	ABC Tennis Association
<b>Superannuation funds</b> Use name of trustee of the fund, do not use name of the fund	Jane Smith Pty Limited ATF <Super Fund A/c>	Jane Smith Pty Limited Superannuation Fund



