

# Unlisted Property Trust Report

## RF CorVal Property Fund

May 2022

Open-ended property fund investing in a diversified portfolio of properties

## RF CorVal Property Fund

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## About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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## RF CorVal Property Fund

May 2022

The RF CorVal Property Fund ("the Fund") is an open-ended diversified property fund designed to provide exposure to direct properties and unlisted property investments. The Fund is managed by CorVal Investment Pty Ltd as Manager ("the Manager") with CorVal Partners Limited as the Responsible Entity ("RE"). RF CorVal is a boutique property funds manager with a strong track record, delivering average returns of 20% for investors since inception in 2009.

The Fund provides an opportunity to access an investment in a diversified portfolio of properties managed by RF CorVal. Historically RF CorVal has typically provided single asset, closed-ended property trusts for wholesale investors. The Fund provides an opportunity for retail investors to gain a diversified exposure to the RF CorVal trusts with the benefit of daily unit pricing and quarterly liquidity. Investors may apply for units on a daily basis. The entry price at 24 May 2022 is \$1.0048 per unit.

The Fund seeks to invest in both direct properties as well as purchasing units in unlisted property trusts managed by RF CorVal. The initial investment portfolio consists of \$15M of investments in eight unlisted property trusts managed by RF CorVal ("initial portfolio"). These trusts provide a diversified exposure to industrial (49%), office (46%) and strata (5%) properties. Portfolio occupancy is 98% occupied and the properties enjoy a long Weighted Average Lease Expiry (WALE) of over 10 years (by income). The investments were acquired from RF Capital, the investment entity of Andrew Roberts (majority owner of RF CorVal). As the Fund issues new units, it intends to acquire further units in the property trusts, up to a total of \$27M. The investments in the property trusts are acquired at a price to accurately reflect the transaction costs and accrued performance fees. Investors should expect the portfolio to further diversify over time through increased investments in property trusts, as well as through the acquisition of direct property assets.

The Manager is targeting the Fund to deliver a long-term distribution yield of at least 5.0% - 6.0% p.a. Core Property estimates the FY23 distribution yield will be higher, at 6.1%, as a result of higher occupancy levels in two of the properties. Distributions are paid quarterly.

The Fund has a target gearing of 35% - 45%. The Fund does not own any direct properties and, as such, does not have any direct debt. The Fund's look through gearing is 41.9%. Core Property considers the fees charged by the Fund to be appropriate. The Fund does not charge a management fee on its investments in related RF CorVal property investments.

Core Property estimates the pre-tax equity IRR to be between 7.9% - 9.4% p.a. (midpoint 8.6% p.a.) over an estimated five-year period (see Financial Analysis section). Investors should note that, as an open-ended fund, actual returns will be dependent on entry and exit prices (which may deliver a capital gain or loss), as well as changes in investments over time.

The Fund intends to offer liquidity to investors via a Limited Quarterly Withdrawal Facility, capped at 2.5% of the Fund's NAV per quarter. The Manager also provide a liquidity event every 5-years, with the first commencing in January 2027. Investors may enter the Fund based on a daily unit price. The Fund currently does not charge a Buy Spread, however charges a Sell Spread of -0.25%.

### Investor suitability

Core Property considers the Fund to be suitable for investors seeking an exposure to a diversified portfolio of properties managed by RF CorVal. The main attraction of the Fund lies in its ability for investors to access the investment capabilities of RF CorVal which is typically only available to wholesale investors. As an open-ended fund, investors should expect the investment profile to change from changes in investments in property trusts as well as investments in direct properties.

This report should be read in conjunction with the Target Market Determination provided by the Manager, as required by s994B of the Corporations Act 2001.

### Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

#### Fund Details

Offer Open:	Open-ended
Min. Investment:	\$10,000 <sup>1</sup>
Entry Price / Unit Price:	\$1.0048 per unit (24 May 2022)
Liquidity:	Quarterly (capped at 2.5% of NAV). Every five years (full liquidity), next around January 2027.
Forecast Distributions:	FY23: 6.11 cpu (6.1% yield on current unit price)
Distribution Frequency:	Quarterly
Recommended Investment Period:	5 years

1. Minimum investment \$10,000. Subsequent additional applications have a minimum of \$1,000. The Manager may accept initial investments that are less than \$10,000 at its discretion.

#### Fund Contact Details

Sanjeev Sahota  
Fund Manager  
sanjeev.sahota@corval.com.au  
Phone: 0428 797 613

#### Fund – Website

<https://www.corval.com.au/cpf/>

Note: This report is based on the RF CorVal Property Fund Product Disclosure Statement dated 19 January 2022, together with other information provided by RF CorVal.

## Key Considerations

**Management:** A boutique property fund manager with a solid track record in delivering risk-adjusted returns to investors. Since inception in 2009, RF CorVal has acquired over \$2.5B of property on behalf of institutional, wholesale, overseas and retail investors. RF CorVal is majority owned by Andrew Roberts (previous CEO of Multiplex) and the senior management team, who typically co-invest alongside investors.

**Structure:** The Fund is an open-ended unlisted property fund that invests in real estate via direct property as well as investments in property funds managed by RF CorVal. Investors may acquire units based on the daily unit price, with distributions paid to unitholders at the end of the quarter.

**Strategy:** The Fund aims to provide a quarterly income distribution for investors with the potential for capital growth through investing in a diversified portfolio of properties. The Fund has a target allocation to invest 90% - 100% in direct and unlisted property funds. A further 0% - 10% is allocated to liquid assets (A-REITs, mortgage funds, cash and cash-like products) to support the liquidity of the Fund.

**Investment Portfolio:** The Fund has an initial portfolio of investments in eight existing property trusts which are managed by RF CorVal. The eight trusts were acquired for \$15M from RF Capital, a related investment entity of Andrew Roberts. The eight trusts provide a diversified exposure to industrial (49%), office properties (46%) and strata (5%) and provides the Fund with a forecast yield of 6.46% in FY23. The Fund has an option to acquire a total of \$27M in property trusts from RF Capital. Investors should expect the portfolio to increase proportionately as the fund acquires further units. Investors should also expect the Fund will be looking at acquiring direct property over time.

**Distributions:** Core Property estimates the current portfolio can support an FY23 distribution of 6.11 cents per unit. Distributions are paid on a quarterly basis, once the fund has received underlying distributions from its investments.

**Unit Pricing:** The Fund calculates its Unit Price on a daily basis. The Unit Price is based on the net asset value of the fund plus the amortised acquisition costs divided by the number of units on issue. Investors should note the Unit Price is on a cum-distribution basis, which means the owner of the unit at the end of the quarter will receive the full quarterly distribution.

**Fees:** Overall Core Property considers the fees charged to be appropriate for the Fund. Management Fees are 0.60% p.a. of GAV for direct investments and nil for investments in RF CorVal property trusts. Expenses are capped at 0.35% p.a. of GAV.

**Total Return:** Core Property estimates the Fund to deliver a total return of 7.9% - 9.4% p.a. (midpoint 8.6% p.a.) over a five-year period (see the Financial Analysis section). As the Fund is open-ended, Investors should be aware that total returns will be impacted by their entry and exit price and any changes in the investment portfolio. The Fund is exposed to a capital gain or loss based on market conditions and lease outcomes, which may deliver an IRR outside this range.

**Debt:** The Fund has a target gearing of 35% - 45% calculated on a look through basis. As at June 2022 the Fund does not have a direct debt facility, however the LVR is calculated at 41.9% on a look through basis.

**Liquidity:** The Fund provides a quarterly Capped Withdrawal Facility for investors who wish to redeem some or all of their investment. The facility is capped at 2.5% p.a. of the Fund's Net Asset Value (NAV) per quarter. The Manager will also provide a full liquidity event at five-year intervals, with the first liquidity event expected around January 2027. The withdrawal price for the facilities will be at the prevailing Unit Price of the Fund plus a Sell Spread of -0.25%.

## Investment Scorecard

<b>Management Quality</b>	★★★★☆
<b>Governance</b>	★★★★☆
<b>Asset Quality / Portfolio</b>	★★★★☆
<b>Income Return</b>	★★★☆☆
<b>Total Return</b>	★★★☆☆
<b>Gearing</b>	★★★☆☆
<b>Liquidity</b>	★★★☆☆
<b>Fees</b>	★★★☆☆

## Key Metrics

Trust Structure					
A registered Managed Investment Scheme investing in Australian property either directly or indirectly via unlisted property trusts managed by RF CorVal.					
Management					
The Manager, RF CorVal is a boutique property fund manager owned and operated by executives who have a long and deep history in the Australian property industry. RF CorVal has acquired in excess of \$2.5B of real estate on behalf of institutional, wholesale, overseas and retail investors.					
31 Mar 2021	Direct Property	Unlisted Property	A-REITs, Mortgage Funds, Cash/Cash like products		Total Portfolio
Target Asset Allocation:	90% - 100%		0%	10%	100%
Actual Allocation:		100.0%	0%	0%	100%
Holdings:	Nil	8 funds			
Carrying Value:	Nil	\$15M	\$0.0M	\$0.0M	\$15M
Property Location:	NA	SA, VIC, WA, QLD	NA	NA	SA, VIC, WA, QLD
Property Sector:	NA	Office, Industrial, Other	NA	NA	Office, Industrial, Other
Occupancy:	NA	98.0%	NA	NA	NA
WALE:	NA	10+ years	NA	NA	NA
Return Profile					
Forecast Distributions:	FY23: 6.11 cents per unit (6.1% yield on current unit price)				
Current Unit Price:	\$1.0048 per unit (24 May 2022)				
Distribution Frequency:	Quarterly				
Tax advantage:	0%				
Estimated Levered Internal Rate of Return (IRR):	7.9% – 9.4% p.a. (midpoint 8.6% p.a.), (net of fees)				
Recommended Investment Period:	The Fund is open ended. The Manager advises a minimum investment period of 5-years.				
Risk Profile					
Property/Market Risk:	The Fund invests in Australian property either directly or indirectly through unlisted and listed property funds. Investors will be exposed to a potential capital gain or loss, based on market conditions. The portfolio is expected to change over time, which may impact the risk profile.				
Interest Rate Movements:	Any changes in the cost of debt may impact investment returns of the Fund.				
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand.				
For a more detailed list of the key risks, refer to "Section 7: Investment considerations and risks" of the Product Disclosure Statement.					
Fees Paid					
Establishment / Contribution Fee:	Nil				
Withdrawal / Exit Fee:	Nil				
Buy/Sell Spread:	0.0% / -0.25%				
Acquisition Fee:	1% of gross purchase price of any Direct Property asset acquired <sup>1</sup>				
Disposal Fee:	1% of gross sale price of any Direct Property disposed				
Management Fee:	0.60% of the GAV of the Fund on direct investments Nil on investments in property trusts managed by RF CorVal				
Fund Costs and Expenses:	Capped at 0.35% p.a. of GAV				
Indirect Costs:	0.67% <sup>2</sup> of GAV				
Performance Fee:	20.0% of the amount above an 8.0% benchmark total return.				
Note 1: No acquisition fee charged in relation to the Initial Portfolio. Note 2: Estimate of the fees and costs incurred in the underlying property trusts.					
Debt Metrics					
Direct Debt - Drawn / Facility Limit:	Nil				
LVR (look through):	41.9%				
Legal					
Offer Document:	RF CorVal Property Fund Product Disclosure Statement dated 19 January 2022				
Wrapper:	Unlisted Unit Trust				
Responsible Entity:	CorVal Partners Limited (ACN 130 628 830 AFSL 326 118)				
Manager:	CorVal Investment Pty Ltd (ACN 619 074 663)				
Custodian:	Perpetual Corporate Trust Limited (ABN 99 00 341 533)				

## Fund Overview

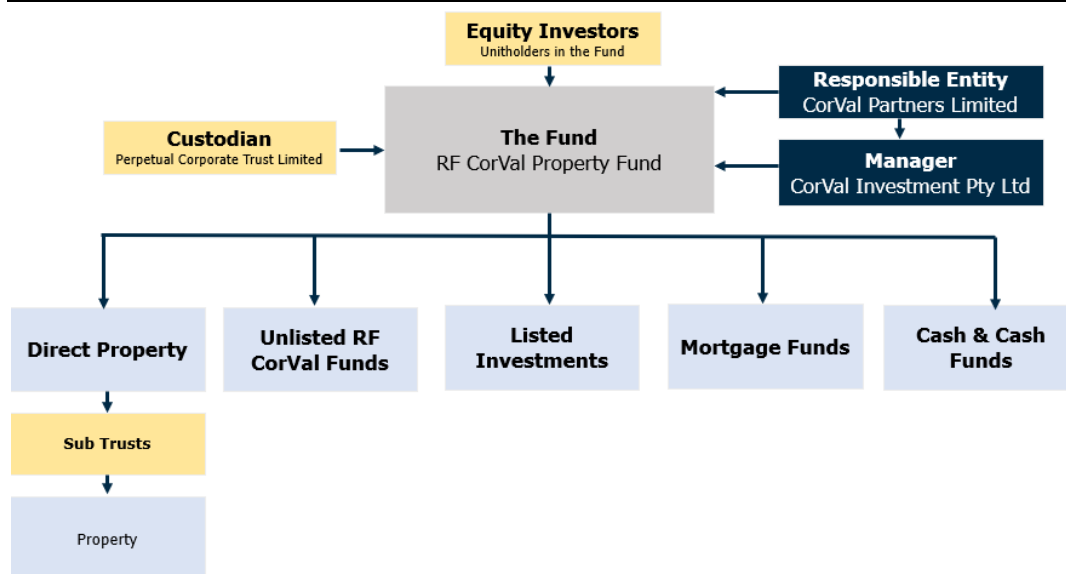
The RF CorVal Property Fund (“the Fund”) is an open-ended unlisted property fund that seeks to provide investors with a diversified exposure to property assets in Australia. The Fund is managed by RF CorVal Investment Limited Pty Ltd (“the Manager”) with RF CorVal Partners Limited as the Responsible Entity (“the RE”). Both entities are subsidiaries of RF CorVal, a boutique property funds management company with a strong track record of delivering risk adjusted returns. RF CorVal is majority owned by Andrew Roberts (former CEO of Multiplex) in conjunction with senior management and has transacted in excess of \$2.5B of commercial real estate since 2009.

The Fund aims to provide investors with quarterly income distributions and the potential for capital growth through investing in a diversified portfolio of properties. The Fund was established in January 2022 with an initial portfolio of investments in eight existing property trusts managed by RF CorVal. The units were acquired from RF Capital, an investment entity owned by Andrew Roberts. The Fund has acquired \$15M of units, with an option to increase this to a maximum of \$27M. The investments are predominantly in the industrial and office sectors and are estimated to provide an FY23 distribution yield to the Fund of 6.46% p.a. (range 5.0% - 7.14%). Over time, the Manager intends to acquire direct properties into the Fund, whilst maintaining a 90% - 100% weighting to property and a 0% -10% weighting to liquid assets such as A-REITs, mortgage debt funds and cash and cash like products.

Investors may apply for units at the daily unit price and apply to redeem units via a quarterly Capped Withdrawal Facility with a full liquidity event every five years. The Fund has a minimum investment of \$10,000 with increments of \$1,000 thereafter.

Distributions are paid on a quarterly basis, with all units on issue at the end of the quarter being entitled to a distribution. The daily unit price takes into account the accumulation of distributions from the start of the quarter until the end of the quarter. Based on the current investment portfolio, Core Property estimates the Fund can support a distribution of 6.11 cents per unit for the FY23 period.

Figure 1: Fund structure



Source: RF CorVal, Core Property

## Fund Strategy

The Fund aims to provide investors with quarterly income distributions and the potential for long term capital growth by investing in a diversified portfolio of Australian properties. The strategy has the following guidelines:

- The Fund will invest both directly in properties and indirectly, by investing in property trusts that are established and managed by RF CorVal.
- Properties are expected to be diversified across geography and sectors, including office, industrial/logistics, healthcare, agriculture and retail sectors.
- The Fund may invest in property trusts that own properties that are subject to development, however it is expected that this would represent less than 10% of the gross assets of the Fund.
- The Fund may also invest up to 10% of gross assets in liquid assets, including A-REITs, mortgage funds, cash and cash like products.

## Unit Pricing

Investors may purchase units in the Fund on a daily basis at the prevailing Unit Price.

- The Unit Price is calculated daily by taking the net asset value of the Fund and adjusting for any acquisition costs and dividing this by the number of units on issue. Acquisition costs on any property is amortised over a five-year period or when the asset is sold.
- The Buy Spread is currently Nil.
- Investors should note that the Unit Price is calculated on a Cum-Distribution basis. As such, Investors who purchase units at any time during a quarter will be entitled to the distribution payment at the end of the quarter, as this has been reflected in the Unit Price.

Investors may redeem their investments in the Fund based on the Withdrawal Price. The Withdrawal Price takes into account the net asset value of the Fund and includes a Sell Spread to take into account transaction costs. The Sell Spread is currently -0.25% of the Unit Price. The proceeds of the Sell Spread are retained as an asset of the Fund.

Core Property has reviewed the calculation of the Fund's daily Unit Price and Withdrawal Price and considers it to be appropriate for the Fund.

## Liquidity / exit strategy

The Fund is open-ended and offers liquidity to investors via two withdrawal options:

- 1) Quarterly: The Fund intends to provide investors with a Capped Withdrawal Facility on a quarterly basis. The withdrawal amount will be capped at 2.5% of the Fund's Net Asset Value (NAV) each quarter and is subject to the available liquidity of the Fund. If the total withdrawal requests exceed the amount that is offered, then investors will receive a pro-rata amount of their withdrawal request. Any withdrawal request unsatisfied will not be automatically carried forward to the next quarter. Withdrawal requests are generally satisfied from the cash reserves of the Fund, accumulated from new applications and retained earnings. Generally the Fund does not borrow to fund withdrawals but may do so if the RE believes it is in the best interests of investors.
- 2) Five-yearly: The Fund will offer full liquidity for investors every five years via a Periodic Liquidity Event. The first Periodic Liquidity Event is expected around January 2027. The Periodic Liquidity Event will provide investors with an opportunity to redeem all or part of their investment. The Manager will use best endeavours to meet all withdrawal requests within twelve-months, which may be funded by a sale or one or more of the Fund's assets, raising new equity or increasing the gearing of the Fund.

Investors should be aware the Fund may suspend or cancel a withdrawal opportunity under certain circumstances. For example, where the Fund has insufficient liquid reserves to satisfy withdrawal requests, if the withdrawal requests would compromise the operation of the Fund, if it is impracticable or impossible to calculate the withdrawal price, or where the RE determines it is in the best interests of all Investors. Core Property considers the suspension or cancellation of a withdrawal facility to be appropriate and commonplace for open-ended funds in such circumstances.

The Withdrawal Price is determined by the prevailing Unit Price plus a Sell Spread. The current Sell Spread is -0.25%. The RE may change the Sell Spread from time to time and prior notice may not be given. If changed, updated information may be posted on the Funds website.

## Debt Metrics

The Fund's gearing is calculated on a look-through basis to include the gearing of any unlisted investment that the Fund holds but does not take into account any debt held in listed investments (A-REITs), which Core Property considers to be an acceptable approach.

The Fund has a target look through gearing range of 35% - 45%, with a maximum look through gearing level of 55%.

The Fund's initial portfolio is calculated to have look through gearing of 41.9%. The underlying property trusts have gearing in the range of 33% - 49%, which are all within their respective debt covenants.

Over time, the Manager expects the Fund will establish direct debt facilities to finance the acquisition of direct properties.

## Fees Charged by the Fund

Overall, Core Property considers the fees charged by the Fund to be appropriate for the Fund.

Core Property notes that:

- The Manager does not charge any additional fees on investments in RF CorVal trusts, as the Manager has already received a fee in the underlying investment. Core Property considers this to be in line with best practice for investors.
- The Manager charges an ongoing management fee on properties which are directly owned by the Fund. The fee is charged at 0.60% p.a. of the Gross Asset Value, which is at the low end of what Core Property has seen in the market (0.70% - 1.1% p.a. of GAV).
- The Fund's total ongoing costs and expenses have been capped in the range of 0.35% - 0.95% p.a. of GAV. The range takes into account a portfolio of all property trusts (0.35% p.a. of GAV) or all direct properties (0.95% p.a. of GAV).
- Acquisition Fees and Disposal Fees on direct properties are charged at 1.0% of the property price, which is at the low end of what has been seen in the market (1.0% - 2.0% of the property price).

Figure 2: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Establishment Fee:	Nil	
Contribution Fee:	Nil	
Buy/Sell Spread:	0% / -0.25%	The Fund does not charge a Buy Spread because the Net Asset Value of the Fund has already factored in the costs of acquiring units, including property acquisition costs. The Fund charges a Sell Spread of -0.25%, to cover transaction costs. The amount is retained as an asset of the Fund.
Acquisition Fee:	<u>Direct Property:</u> 1.0% of the gross purchase price. <u>Investment in Property Trusts:</u> No direct charge by the Fund, however an acquisition fee may be payable in the underlying trust.	<u>Direct Property:</u> Core Property considers the Acquisition Fee on Direct Property to be at the low end of the industry average of 1.0% - 2.0%. <u>Investment in Property Trusts:</u> The Fund does not charge an Acquisition Fee as the fee has already been charged in the underlying property trust.
Management Fee & Expenses:	<u>Direct Property:</u> • Ongoing management fee of 0.60% p.a. of the Gross Assets of the Fund (excluding any investments in property trusts already managed by RF CorVal). • Fund Expenses are capped at 0.35% of GAV. This includes establishment costs (estimated at 0.06% p.a. of GAV) <u>Investment in Property Trusts:</u> No direct charge by the Fund, however costs will be incurred by the underlying fund. On a look through basis, indirect costs are estimated to be 0.67% p.a. of GAV.	<u>Direct Property:</u> Core Property considers the Management Fee of 0.60% p.a. of GAV to be at the low end of what we have typically seen in the industry (0.7% -1.1% of GAV). <u>Investment in Property Trusts:</u> The Fund does not charge a management fee as the fee is already charged in the underlying trust. Core Property considers this to be in line with best practice for investors.
Disposal Fee:	<u>Direct Property:</u> 1.0% of the sale price of any property asset that has been disposed. <u>Investment in Property Trusts:</u> No direct charge by the Fund, however a disposal fee may be payable in the underlying trust.	<u>Direct Property:</u> Core Property considers the Disposal Fee to be at the low end of the industry average of 1.0% - 2.0%. <u>Investment in Property Trusts:</u> The Fund does not charge a Disposal Fee as the fee has already been charged in the underlying property trust.
Performance Fee:	20% of the outperformance above an IRR benchmark of 8%. Subject to a high watermark.	The performance fee is calculated and accrued quarterly on a five-year basis, beginning from the Closing Date. The RE may increase or decrease the IRR benchmark before the next calculation period at its discretion if it considers it is appropriate to do so, however cannot reduce the IRR benchmark to below 6% or above 10%. Core Property notes a lower IRR benchmark would be below what we have typically seen in the market for similar products (between 8% - 10%).

Source: RF CorVal, Core Property



## Investment Portfolio

The Fund has been established with an initial portfolio of eight investments in property trusts managed by RF CorVal. The investments provide a diversified exposure to 13 underlying properties across office and industrial assets as well as an exposure to a mixed-use asset (three strata lots for restaurant/tourism/office purposes in the Eureka Tower, Melbourne). The Initial Portfolio is 98% occupied with a long Weighted Average lease Expiry of over 10 years (by income).

The investments have been acquired from RF Capital, the investment entity of Andrew Roberts, the majority owner of RF CorVal. The Fund has acquired 12.8M units valued at \$15.0M as at June 2022 with an option to increase this to a total of 23.0M units (\$27.0M). The acquisition price for the units were determined by the latest NAV of the property trusts adjusted for transaction costs (including estimated disposal fees and accrued performance fees). The current investment portfolio is forecast to provide an average yield of 6.46% for the Fund in FY23.

Investors should note that the investment metrics are expected to change as the Fund acquires additional units in property trusts as well as direct properties and other liquid investments. The following table is a summary of the Fund's metrics as at June 2022.

Figure 3: Investment Portfolio

Investment Portfolio	Sector	Trust Start Date	Current Trust Term	Investment at June 2022	Potential Investment	Fund Weighting
Inghams Murray Bridge Trust	Industrial	Jun 2017	2025	\$3.4M	\$6.0M	22.4%
Workzone Trust	Office	Dec 2016	2026	\$3.0M	\$5.3M	19.7%
Pact Trust	Industrial	May 2014	2025	\$2.0M	\$3.6M	13.4%
Corporate Centre Trust	Office	Jun 2017	2025	\$2.0M	\$3.6M	13.4%
26 Flinders Street Trust	Office	July 2018	2024	\$1.4M	\$2.6M	9.6%
Industrial Infill Trust	Industrial	July 2021	2024	\$1.3M	\$2.4M	9.0%
Eureka Trust	Mixed	July 2021	2026	\$1.0M	\$1.8M	6.7%
33 Longland Street Trust	Office	Mar 2021	2024	\$0.9M	\$1.6M	5.8%
<b>Total Portfolio</b>			<b>2024 - 2026</b>	<b>\$15.0M</b>	<b>\$27.0M</b>	<b>100%</b>

Source: RF CorVal

Figure 4: Properties in the portfolio

662 Flagstaff Road, Murray Bridge SA (Inghams Murray Bridge Trust)



33 Longland St, Newstead QLD (33 Longland St Trust)



13-15 Joel Court, Moorabbin VIC (Pact Trust)



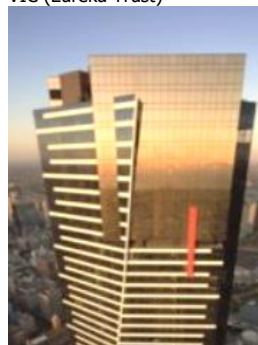
26 Flinders St, Adelaide SA (26 Flinders St Trust)



1 Nash Street, Perth WA (Workzone Trust)



7 Riverside Quay, Southbank VIC (Eureka Trust)



Gold Coast Corporate Centre, Bundall QLD (Corporate Centre Trust)



Source: CorVal

## Investments in Property Trusts

**The CorVal Inghams Murray Bridge Trust (21.5% of portfolio)** was established in June 2017 to facilitate the development of a state-of-the-art feed mill facility in Murray Bridge SA, for the ASX-listed Inghams Group (ASX: ING). The construction of the feed mill was completed in 2018, with Inghams entering a triple net lease for 25-years with 5x10 year options.

**The CorVal Pact Trust (20.1% of portfolio)** was established in May 2014 to acquire three industrial and manufacturing properties leased to the ASX-listed Pact Group (ASX: PGH). Pact Group is a designer and manufacturer of plastic and steel packaging, and provides materials handling solutions, contract manufacturing and sustainability services. One of the properties, in Condell Park NSW was sold in April 2020 at a material premium to the valuation. In June 2020 the Trust was extended for a five-year term, with the two remaining properties located at 13-15 Joel Court, Moorabbin VIC, and 175 Bannister Rd, Canning Vale WA. The properties have a long Weighted Average Lease Expiry (WALE) of 13.9 years and are fully occupied by Pact Group.

**The CorVal Workzone Trust (18.1% of portfolio)** was established in December 2016 to acquire the newly constructed A-grade office building known as Workzone West in the fringe of the Perth CBD. The property provides 12,362 sqm of office space across a ground floor and six upper levels and is 100% leased to multiple tenants with a WALE of 7.6 years.

**The CorVal Corporate Centre Trust (11.4% of portfolio)** was established in June 2017 to acquire the Gold Coast Corporate Centre at Bundall QLD. The property consists of two A-grade office towers along with a fitness centre and 899 car parking bays. The property has a WALE of 4.0 years (at December 2021) and is 84% occupied with key tenants including Wyndham Vacation Resorts, KPMG and EMF Fitness. The Trust strategy is to lease the vacant space as well as considering options for development on the surplus land, which is currently used for on-grade parking.

**The CorVal 26 Flinders Street Trust (10.9% of portfolio)** was established in June 2018 to acquire the B-grade office tower at 26 Flinders Street, Adelaide SA. The strategy has been to increase the occupancy of the property and undertake a targeted capital expenditure program to reposition the asset. The property is now 100% leased (from 80% at acquisition) with a WALE of 3.1 years.

**The CorVal Industrial Infill Trust (7.4% of portfolio)** was established in July 2021 to acquire industrial assets in urban infill locations. The Trust targets industrial assets in built up suburban locations which are underpinned by relatively high land values. The Trust's first asset was the Farm Pride Foods headquarters in Keysborough VIC under a sale and leaseback with a 15-year triple net lease.

**The CorVal Eureka Trust (5.5% of portfolio)** was established in July 2021 to acquire strata lots within the Eureka Tower in the Melbourne CBD. The lots comprise levels 88, 89 and part of the ground floor with an initial 25-year triple net lease to Journey Beyond, a leading experiential tourism group. The space is used as a restaurant (level 89) and observation skydeck (level 88)

**The CorVal 33 Longland Street Trust (5.1% of portfolio)** was established in March 2021 to acquire 33 Longland St, a boutique office building located in Newstead, Brisbane QLD. The property is a converted woolstore located in a vibrant mixed used locale. The Manager has been able to refurbish the property and increase occupancy to 100%, from 67% at the time of acquisition, with leases to multiple tenancies.

## Valuations

The Fund has a policy to undertake independent valuation on its properties at least once every twelve months and prior to the acquisition of any direct property.

The acquisition of units in the underlying property investment trusts were undertaken based on the latest updated Net Asset Value of the underlying trusts, which were adjusted to take into account estimated disposal costs as well as any accrued Performance Fees. Core Property has reviewed the acquisition unit price of these investments and considers the price paid to be appropriate for the Fund.

Figure 5: Property metrics

Property (Trust)	Net Lettable Area	Acquisition Price (Fund Commence)	Current Valuation (Date)	WALE
662 Flagstaff Road, Murray Bridge SA (Inghams Murray Bridge Trust)	22,900 sqm (Land size)	\$53.0M (Jun 17)	\$71.5M (Dec 21)	21.9 years (Dec 21)
13-15 Joel Court, Moorabbin VIC, 175 Bannister Rd, Canning Vale WA (Pact Trust)	22,864 sqm	\$27.8M (May 14)	\$48.1M (Dec 21)	13.9 years (Dec 21)
1 Nash St, Perth WA (Workzone Trust)	12,362 sqm	\$68.3M (Dec 16)	\$97.0M	7.6 years (Dec 21)
Gold Coast Corporate Centre, 1-2 Corporate Court, Bundall QLD (Corporate Centre Trust)	21,111 sqm	\$89.0M (June 17)	\$101.0M (Dec 21)	4.0 years (Dec 21)
26 Flinders Street, Adelaide SA (26 Flinders Street Trust)	10,320 sqm	\$36.0M (July 18)	\$53.5M (Dec 21)	3.1 years (Dec 21)
551-579 Chandler Road, Keysborough VIC (Industrial Infill Trust)	10,740 sqm	\$18.5M (July 21)	\$18.5M (Dec 21)	14.5 years (Dec 21)
Level 88, 89 and part ground floor of Eureka Tower, Southbank VIC (Eureka Trust)	1,957 sqm	\$58.0M (July 21)	\$58.0M (July 21)	24.5 years (Dec 21)
33 Longland St, Newstead, QLD (33 Longland Street Trust)	2,950 sqm	\$20.5M (March 21)	\$22.4M (Dec 21)	4.1 years (Dec 21)

Note 1: Pact Trust was established in May 2014 with the acquisition of three properties for \$37.6M. The current portfolio of two properties represents \$27.8M of the acquisition price. Source: CorVal

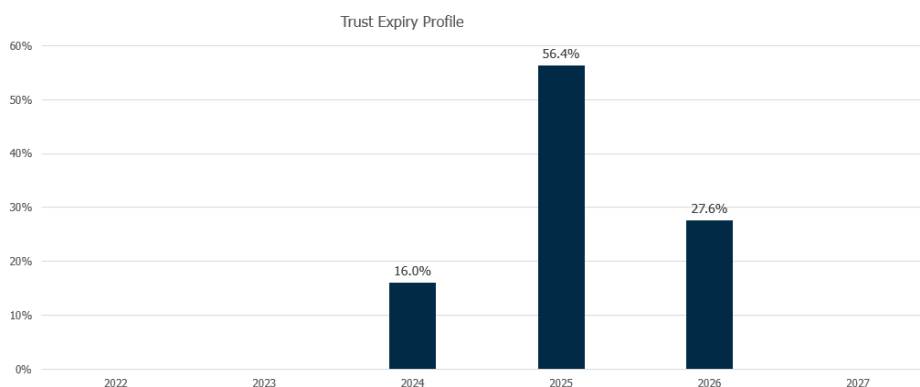
## Leases, tenants and income

The underlying property trusts have different term periods, with investments terms ending between 2024 - 2026. The Manager has indicated the following options for the Fund at the end of the investment terms:

- If the underlying trust is extended for a further term, the Fund will consider continuing the investment. If a liquidity option is provided, the Fund may also consider redeeming a portion of the investment.
- If the underlying trust is wound up, the Fund will receive the proceeds of the investment which will be initially held in cash, used to pay down debt, or reinvested by the Fund.

The following is a summary of the expiry profile of the underlying trusts in the portfolio.

Figure 6: Expiry Profile of underlying property trusts

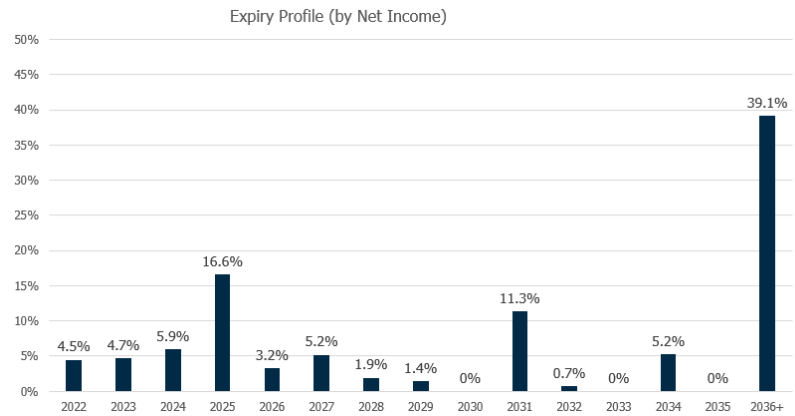


Source: CorVal

The underlying trusts provide the Fund with an exposure to a portfolio with a long Weighted Average Lease Expiry (WALE) of 10.0 years. The top 5 tenants account for 65% of the net income and include ASX listed tenants Inghams Group (ASX: ING), Pact Group (ASX: PGH), and CPB contractors (a subsidiary of CIMIC Group (ASX: CIM)) as well as the WA government.

Figure 7: Underlying Tenant Profile

Tenant	% of Net Income
Inghams Group	21.5%
Pact Group	16.9%
WA Government	11.7%
CPB Contractors	10.6%
Journey Beyond	4.3%
Farm Pride	1.6%
Employers Mutual	2.7%
Sealink Travel	1.8%
Other Tenants	28.8%
Total	100.0%



Source: CorVal

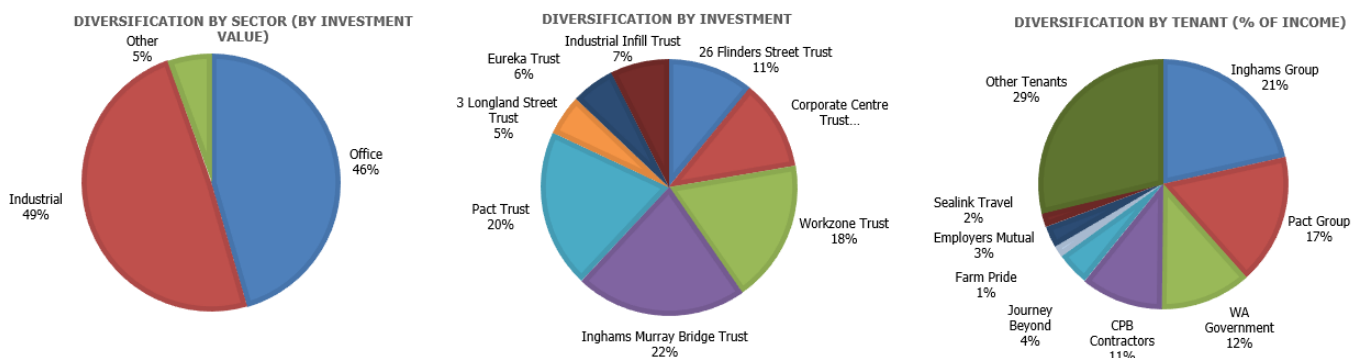
## Diversification

The Fund's investments are predominantly in the industrial and office sectors, which account for 49% and 46% of the investments respectively. The eight trusts provide diversification across nine properties.

Investors should expect the diversification of the Fund to change as additional properties are acquired over time.

The following is a figure shows the diversification by state and sector of the portfolio.

Figure 8: Portfolio Diversification



Source: RF CorVal

## Financial Analysis

Core Property has undertaken a financial forecast of the fund, based on the investment portfolio and discussions with the Fund Manager. The forecast below is based on certain assumptions that may change as a result of market conditions, changes in the investment portfolio and the potential acquisition of direct properties. Thus, the forecasts should be seen as indicative only.

The key assumptions in our forecasts include:

- Based on units on issue of 12.8M (May 2022), increasing to 15.0M (June 2022) and then 27.0M (June 2023).
- Assumes investors may acquire new units which are immediately invested in the underlying property investment trusts at the current NTA per unit, adjusted for transaction costs.
- Forecasts do not include any acquisition of direct properties or any new debt facilities.
- FY23 forecasts assume all distributions that are received from the underlying property trusts are fully passed on to investors in the Fund after taking into account the costs of the Fund. Distributions from underlying property trusts include an increase as a result of higher occupancy levels in the Corporate Centre Trust and the 33 Longland Street Trust.
- Based on the earnings profile in FY23, Core Property estimates the Fund to receive around 6.46 cents per unit in distributions. After Fund costs of 0.35 cents per unit, we estimate the Fund can support a distribution of 6.11 cents per unit.

The forecasts below are Core Property's estimates.

Figure 9: Profit & Loss Forecast – Core Property assumptions

Profit & Loss - Forecast \$M	12 months to 30 June 2023
Net Property Income	-
Distributions Received - Unlisted Property Funds	1.7
Management Fees	-
Fund Expenses	-0.1
Finance Costs (net)	-
<b>Funds from operations</b>	<b>1.7</b>
<b>Cash available for distribution</b>	<b>1.7</b>
Retained Earnings	-
<b>Cash Distributions</b>	<b>1.7</b>
<b>Forecast Distributions (cents)</b>	<b>6.11 cpu</b>
<b>Annualised Distribution Yield – based on \$1.0048 unit price</b>	<b>6.10%</b>
Balance Sheet – \$M	Pro Forma estimate as at June 2022
Cash and cash equivalents	-
Investments – Direct Property	-
Investments – Property Funds	15.0
Other assets	-
<b>Total Assets</b>	<b>15.0</b>
Interest-bearing liabilities	-
Other liabilities	-
<b>Total Liabilities</b>	<b>0.0</b>
<b>Net Assets</b>	<b>15.0</b>
Units on Issue (Millions)	15.0
<b>NTA per unit</b>	<b>\$1.00 per unit</b>
Debt/ Total assets	NA
LVR (Debt/ Property Valuation) – Direct Assets	NA
<b>LVR – Look through</b>	<b>41.9%</b>

Source: Core Property, based on assumptions provided by CorVal

## Expected Future Performance (IRR Sensitivity)

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

Core Property has estimated the total return for the Fund based on an assumed 5-year investment term. Our forecasts assume any investment in an underlying trust is maintained throughout the period. As such this assumes that any trust falling due, is able to be extended for a further period or is able to be reinvested with the same return profile.

**Using these assumptions Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 7.9% - 9.4% p.a. (midpoint 8.6% p.a.).**

**Investors should be aware the sensitivities include the potential for the valuation of the underlying trusts to increase or decrease (depending on market conditions) which may result in either a capital gain or loss for investors.**

As an open-ended fund, investors should be aware that returns may be impacted by a number of factors, including:

1. The timing for when investors enter or exit the Fund, impacting Entry and Exit Prices.
2. Any changes in equity in the Fund, including the issue of additional units.
3. Any changes in investments by the Fund, including acquisitions and disposals.

As such, the IRRs should be seen as indicative only, as the portfolio metrics are subject to change over time.

The table below summarises our expected IRRs.

Figure 10: Pre-tax, 5-year IRR (after fees) sensitivity analysis

Estimated average cap rate (look through basis for the underlying trusts)	Estimated IRR
4.87%	10.2%
5.08%	9.4%
<b>5.33% (base)</b>	8.6%
5.58%	7.9%
5.83%	7.2%

Source: Core Property estimates

## Management & Corporate Governance

RF CorVal is a specialist property fund manager which invests on behalf of Australian institutions, family offices, offshore groups and high net worth and retail investors. RF CorVal was established in 2009 and is owned by senior executive management and RF Capital, a vehicle associated with Andrew Roberts, the previous CEO of Multiplex Group prior to the takeover of that company by Brookfield Asset Management. The senior executive management team has over 70 years of collective experience across institutional property funds management. RF CorVal currently has \$1.5B of Assets Under Management across 33 properties and has delivered an average IRR of 20% for investors on disposed assets. Core Property has reviewed the composition of the RE Board and senior executive team and consider it has the relevant skills and experience to operate the Fund successfully.

Figure 11: The Board of Directors and Key Management

Name & Role	Experience
<b>Kevin Neville</b> Non-Executive Chairman	Kevin is a Chartered Accountant, with an extensive career in professional services, including roles as Managing Partner, Head of Assurance and Chair of the National Moore Stephens network. He is now an active Non-Executive Director in both the For Profit and For Service sectors. As an accounting professional, Kevin is well poised to provide astute property, finance and tax advice in his joint roles on the Fund's Board and Investment Committee.
<b>Rob Rayner</b> Executive Director and Chief Executive Officer	Rob has overall responsibility for the business, including investment decisions and the creation and management of new property funds. With over 30 years of experience in the Australian financial services and property industry, Rob has had wide-ranging involvement in the establishment, restructuring and on-going management of property funds, through senior positions held with ING Real Estate and Brookfield Multiplex. Rob has a Bachelor of Business from Curtin University and is an associate member of both the Institute of Chartered Accountants in Australia and the Financial Securities Institute of Australia.
<b>Kerr Bray</b> Executive Director and Chief Operating Officer	Kerr is responsible for the establishment, investment and ongoing management of funds and mandates. He has overall responsibility for all aspects of these funds including establishing the fund strategy, raising capital, acquisitions, asset and portfolio management, financing and investor relations and communication. Kerr has over 25 years' experience in the property and funds management industry, having managed both listed and unlisted funds in Australia and Europe. Kerr previously managed funds for ING Real Estate and Tishman Speyer in Europe. Kerr has a Bachelor of Commerce and Finance from the University of Western Australia and is an associate member of the Institute of Chartered Accountants in Australia.
<b>Sanjeev Sahota</b> Fund Manager	Sanjeev is a Fund Manager with RF CorVal, responsible for the management of the Fund and RF CorVal's wholesale trusts. He has oversight over the fund establishment process, fund strategies and financial management, investor communications and daily operations. Sanjeev works with both the Transaction and Asset Management teams to develop and execute fund strategies. Prior to joining RF CorVal in 2019, Sanjeev held senior roles in Institutional Real Estate with The GPT Group and MSCI (formerly IPD). Sanjeev holds a Bachelor of Science in Economics from Royal Holloway University of London.
<b>Oliver Picone</b> Head of Transactions	Oliver is responsible for acquisitions and divestments of the Fund, including identifying, sourcing and analysing opportunities as well as managing due diligence and contract negotiations. Since joining RF CorVal in 2012, Oliver has acquired more than 30 properties with a total value in excess of \$1.3B. He is also involved in developing and monitoring asset management strategies, with a focus on maximising disposal values and investor returns. Oliver has worked in the commercial property industry for over 13 years having previously held positions within major commercial valuation firms. Oliver holds a Bachelor of Property Economics with a sub major in Property Analysis from the University of Technology Sydney and is a Certified Practising Valuer.
<b>Gareth Dingle</b> Transaction's manager	Gareth joined RF CorVal in 2015 and is part of the capital transactions team, focusing on identifying and analysing opportunities for the Fund as well as managing the due diligence process. Gareth has previously held positions within major real estate firm CBRE, most recently as a commercial valuer within the Sydney team, specialising in Sydney CBD and Sydney Metropolitan institutional assets and prior to this he worked in CBRE's Global Research and Consulting division. Gareth holds a Bachelor of Property Economics from the University of Western Sydney and is a Certified Practising Valuer.
<b>Con Tsioulos</b> Director Commercial	Con is a Senior Asset Manager at RF CorVal, responsible for establishing and implementing asset management strategies to maximise value for the Fund. He has responsibility for managing tenant relationships, negotiating leases, managing capital works programs and overseeing property management. Con joined RF CorVal in 2013 and has over 25 years' experience in the real estate industry across the residential, commercial, retail, industrial and strata sectors, with expertise in property and asset management. He has previously worked at Fortius Funds Management and JLL where he managed over \$1.5B worth of office, retail and industrial property on behalf of some of institutional investors. Con holds a Bachelor of Land Economics from the University of Technology.
<b>Benn Vicic</b> Director Commercial	Benn is responsible for establishing and implementing asset management strategies to maximise value for investors. He has responsibility for managing tenant relationships, negotiating leases, managing DA and capital works programs and overseeing property management. Benn joined RF CorVal in 2013 and has 25 years' experience in the property and funds management industry. In his prior role at Charter Hall, he was responsible for the performance and operations of an unlisted diversified property fund, along with multiple syndicates. Prior to this he held a multi-disciplined role with Winten Property Group, and before that with CBRE and Knight Frank as a valuer. Benn holds a Bachelor of Business Degree specialising in Property Valuations from the Royal Melbourne Institute of Technology, is a Certified Practising Valuer and an Associate Member of the Australian Property Institute.

**Noella Tsang**  
Financial Controller

Noella has been with RF CorVal since 2010 and has overall responsibility for financial and management reporting, taxation, human resources and compliance for the Fund. Noella has over 20 years of experience in the property and financial services industry. She previously worked for Brookfield Multiplex within the funds management division. Noella holds a Bachelor of Commerce from the University of New South Wales and is an associate member of both the Institute of Chartered Accountants in Australia.

Source: RF CorVal

## Compliance and Governance

The Fund is an Australian managed investment scheme and is registered with the Australian Securities and Investments Commission (ASIC). The Fund has a compliance plan that outlines the principles and procedures which the RE intends to follow to ensure that it complies with the provisions of its Australian Financial Services license, the Corporation's Act and the Constitution. The RE has a compliance committee with a majority of independent members.

The Fund is compliant with all of the benchmarks and disclosure principles contained in the ASIC Regulatory Guide 46. The Fund provides an update of its compliance with the RG46 benchmark and disclosure principles on the Fund's website.

## Related Party Transactions

The Fund has a written policy on related party transactions which includes an assessment and approval process for transactions and arrangements to manage conflicts of interests. The related party transactions include:

- The charging of fees by the Responsible Entity.
- Fees charged for asset related services, accounting and information related services and funding related services.
- The Fund has acquired investments in eight property trusts which are also managed by RF CorVal. The investments were sold by RF Capital, an investment entity owned by Andrew Roberts, the majority owner of RF CorVal. Core Property has reviewed the acquisition price of the investments and considers it to be fair and reasonable based on the latest valuations.
- As at June 2022, the Fund has 12.8M units in the eight property trusts, valued at \$15.0M. The Fund has an option to acquire a total of 23.0M units (valued at \$27.0M) which will be acquired progressively as new units are issued. We note that when the Fund acquires units in the property trust it will become entitled to the full distribution for the relevant quarter, as agreed by RF Capital.

## Past Performance

Since 2009, RF CorVal has acquired 59 properties worth \$2.5B. The Manager has sold 26 of these properties, achieving a Weighted Average Equity IRR of 20% for investors.

Investors should note that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.



## Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

**It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.**

### The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

This report has been commissioned, and, as such, Core Property has received a fee for its publication. Under no circumstances has Core Property been influenced, either directly or indirectly, in making statements and / or recommendations contained in this report.

## Ratings History

The following is a summary of the ratings provided by Core Property since the establishment of the Fund.

Date	Core Property rating
January 2022	The Fund is established
May 2022	The Fund is rated as "Recommended"

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