

RF CorVal Property Fund

Rating issued on 13 Dec 2023 | APIR: CRV9885AU

Investment objective

To provide quarterly income distributions with the potential for capital growth. CorVal's internal objective targets returns of 8% to 10%, net of fees, over a five-year basis. Income distributions are expected to be approximately 5%, with the remainder of returns coming from capital growth.

Manager	CorVal Investment Pty Ltd
Distributor	RF CorVal
Sector	Real Assets \ Real Estate - Australia
Investment Style	Core Plus
RI Classification	Aware
Absolute Risk	Moderate
Relative Risk	Core Plus
Investment Timeframe	7+ Years
Benchmark	MSCI/Mercer Australia Core Wholesale Monthly PFI - Composite
Min Investment Amount	\$10,000
Redemption Frequency	Quarterly
Income Distribution	Monthly
Fund Size (31 Jan 2024)	\$55.61M
Management Cost	0.60% p.a. Incl. GST
Performance Fee	20% of the excess over a Fund level equity internal rate of return (IRR) hurdle of 8% per annum, calculated at each 5-year anniversary or when the payment of the fee is otherwise due.
Buy / Sell Spread	0.00% / 0.25%
Inception Date	08 Feb 2022

Fund facts

- Open-ended fund targeting income-producing assets, and value add opportunities
- Structured to invest in direct assets and unlisted fund investments
- Differentiated, value-orientated investment approach

Viewpoint

Issued by RF CorVal Partners Limited (CorVal), the Fund offers a diversified exposure to Australian real estate with a focus on income-producing assets, with some value add opportunities. Zenith considers the Fund an attractive and differentiated offering owing to CorVal's sector-agnostic, bottom-up, valuation-driven investment approach. Further, we highlight the extensive experience of team's senior members which underpins our conviction in the Fund.

Established in 2009, CorVal is the real estate investment arm of RF Capital Pty Ltd, a large family office. CorVal has developed a strong track record in core-plus and value add investment strategies in Australian direct real estate, currently managing approximately \$A 1.8 billion in assets under management (AUM) as at 30 November 2023.

CorVal is led by Chief Executive Officer (CEO), Rob Rayner, who has over 30 years of experience in property investments including senior roles with Brookfield Multiplex and Acumen Capital. Chief Operating Officer (COO), Kerr Bray, leads CorVal's investment team of 11 and has over 25 years of experience with prior roles in Europe and Australia for Tishman Speyer and ING Investment Management, respectively. Zenith holds both Rayner and Bray in high regard owing to their extensive experience and we consider both to be integral to the ongoing management of the Fund.

As a house, CorVal takes a sector-agnostic approach to real estate, providing the flexibility to target strong risk-adjusted returns with a bottom-up focus on value and value creation opportunities. For the Fund, CorVal seeks to build a diverse portfolio of Australian real estate, investing across sectors and geographies.

CorVal will primarily target direct income-producing assets on attractive yields with long-term leases. This direct exposure is then supplemented by allocations to CorVal-managed unlisted property funds with potential value-add opportunities. Zenith considers this as an effective way of adding incremental growth opportunities and combining different return drivers for the Fund.

Given the recent inception of the Fund in March 2022, Zenith highlights the portfolio is still in the build-out phase. However, the Fund was originally seeded with units in eight CorVal unlisted funds. Zenith believes CorVal's approach of seeding has provided the Fund with immediate diversification by region, sector and assets, highlighting the typical challenges of building diversification in real assets funds early in their lives.

Over the last twelve months, the Fund has acquired three direct property assets, all in the Industrial sector but geographically spread across Queensland, South Australia and New South Wales. As at the 30 November 2023, the portfolio comprises a look through exposure to 25 assets, across Industrial (70%); Office (17%); Agricultural Infrastructure (10%) and Tourism (2%). Zenith considers the Fund to be sufficiently diversified and in keeping with the investment strategy despite the modest asset base.

The Fund offers monthly liquidity, subject to a limited withdrawal facility. The Fund also has Periodic Liquidity Events offered at each five-year anniversary with the first to be offered in January 2027.



Fund analysis

Fund characteristics

Constraint	Value
Unlisted indirect investments	Max: 50%
Single asset	Max: 30%
Total state exposure (excluding NSW and VIC)	Max: 30%
Total exposure to NSW and VIC	Max: 70%
Property securities or mortgage funds	Max: 10%

Investment objective and philosophy

The investment objective is to provide quarterly income distributions with the potential for capital growth. CorVal's internal objective targets returns of 8% to 10%, net of fees, over a five-year basis. Income distributions are expected to be approximately 5% p.a. paid quarterly, with the remainder of returns coming from capital growth.

To achieve this objective, CorVal seeks to build a diverse portfolio of Australian real estate investing across sectors and geographies. CorVal will primarily target direct real estate assets which will be supplemented by investing in CorVal-managed unlisted property trusts.

CorVal views property as a relatively inefficient asset class that offers astute investors the opportunity to benefit from pricing arbitrage by taking advantage of superior local information and knowledge. As a house, CorVal takes a sector-agnostic approach to real estate, providing the flexibility to target strong risk-adjusted returns with a bottom-up focus on value and value creation opportunities.

Portfolio applications

The Fund offers a diversified exposure to Australian real estate with a focus on assets with consistent and stable income, with some value-add opportunities. The Fund offers quarterly distributions.

The Fund is expected to be diversified by sector and geography, albeit CorVal takes a sector-agnostic approach with the Fund managed under a wide investment mandate.

Zenith believes the Fund could be used to reduce volatility and provide diversification within an investor's growth-orientated portfolio, whilst also providing attractive returns. The Fund may also be suitable to blend with core strategies for investors seeking more moderate levels of total return.

In Zenith's opinion, the Fund may be suitable for investors seeking a stable stream of income, with long-term capital growth potential, who can accept the risks of gearing and low liquidity. Zenith believes the Fund is best suited to investors with long-term investment horizons (7 years and over) and that have a high tolerance to the risks posed by illiquidity.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Aware
Has Responsible Investment Policy	No
PRI Status	
PRI Signatory	Yes

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact



Absolute performance

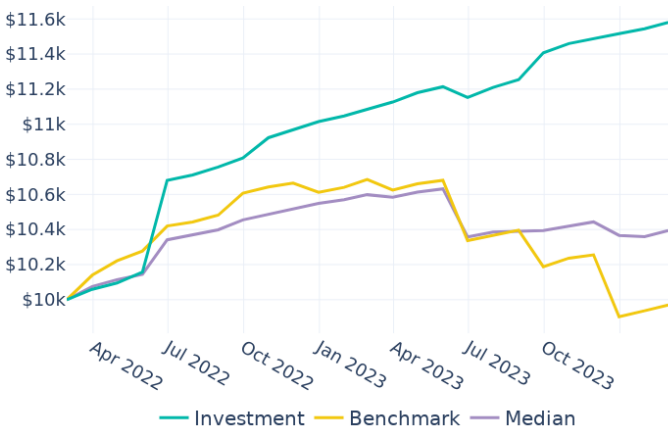
Performance as at 29 Feb 2024

Monthly performance history (% , net of fees)

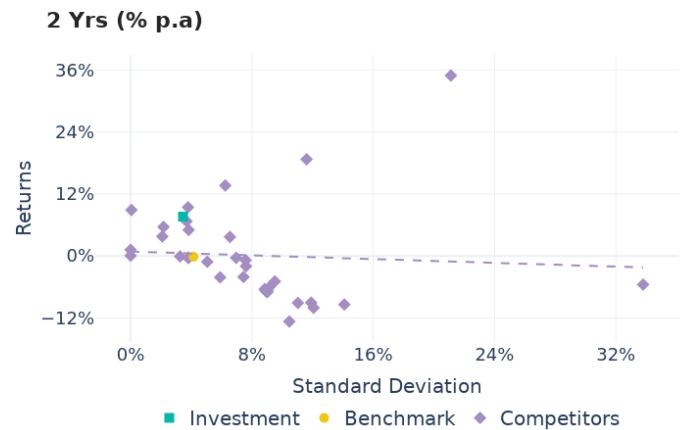
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2024	0.25%	0.31%											0.56%	0.69%
2023	0.29%	0.36%	0.36%	0.48%	0.30%	-0.55%	0.52%	0.39%	1.36%	0.46%	0.23%	0.26%	4.55%	-6.69%
2022			0.59%	0.36%	0.62%	5.15%	0.29%	0.42%	0.48%	1.06%	0.40%	0.44%	10.15%	6.12%

*MSCI/Mercer Australia Core Wholesale Monthly PFI - Composite

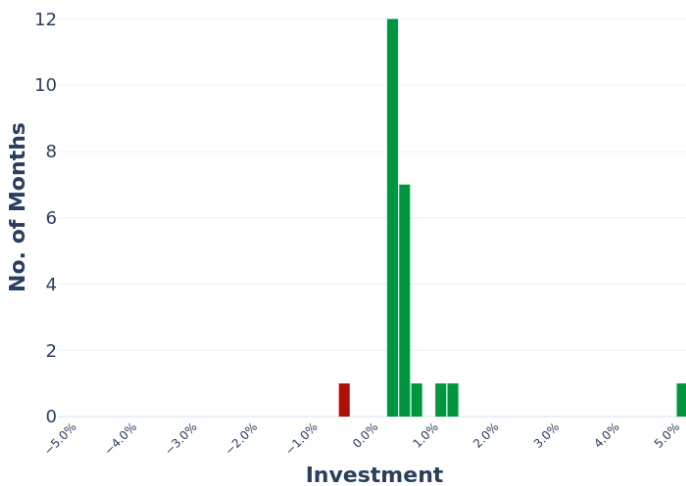
Growth of \$10,000



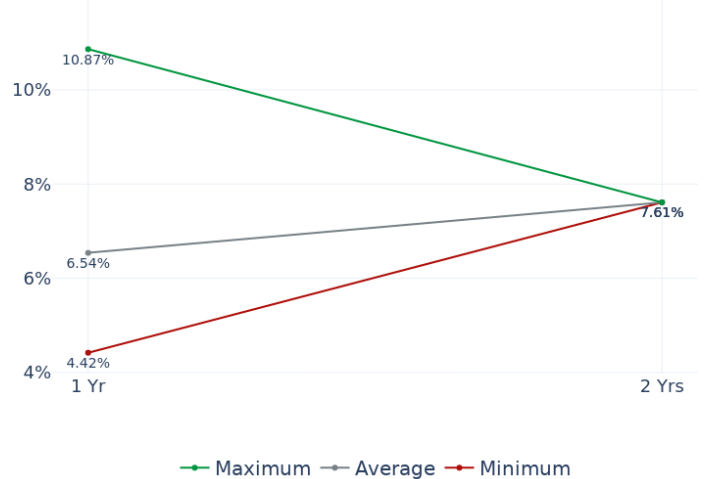
Risk / return



Monthly histogram



Minimum and maximum returns (% p.a.)





Absolute performance analysis

Instrument	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Investment	0.83%	2.90%	4.46%	7.61%	7.61%
Income	1.27%	2.56%	5.09%	4.87%	4.87%
Growth	-0.44%	0.34%	-0.63%	2.74%	2.74%
Benchmark	-2.78%	-4.09%	-6.68%	-0.15%	-0.15%
Median	-0.47%	0.06%	-1.92%	1.95%	1.95%
Cash	1.05%	2.09%	4.07%	2.91%	2.91%

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	Inception
Fund Ranking	1 / 24	1 / 24
Quartile	1st	1st

Absolute risk

Instrument	1 Yr	2 Yrs	Inception
Standard Deviation (% p.a.)			
Investment	1.39%	3.46%	3.46%
Benchmark	4.85%	4.15%	4.15%
Median	2.70%	2.49%	2.49%
Downside Deviation (% p.a.)			
Investment	0.55%	0.39%	0.39%
Benchmark	5.15%	3.66%	3.66%
Median	2.68%	1.90%	1.90%

Absolute risk/return ratios

Instrument	1 Yr	2 Yrs	Inception
Sharpe Ratio (p.a.)			
Investment	0.28	1.36	1.36
Benchmark	-2.22	-0.74	-0.74
Median	-2.21	-0.38	-0.38
Sortino Ratio (p.a.)			
Investment	0.71	12.15	12.15
Benchmark	-2.09	-0.83	-0.83
Median	-2.23	-0.50	-0.50

Zenith benchmarks all funds in Real Assets - Real Estate / Australia category against the MSCI/Mercer Australia Core Wholesale Monthly PFI - Composite. It should be recognised that Zenith's assigned benchmark is intended as a broad market indicator only. Investors should expect the returns characteristics across the Real Assets - Real Estate / Australia category to vary materially owing to different allocations across property sectors, different portfolio risk settings and use of leverage. Accordingly, the use of fund performance rankings relative to peers should take these aspects into account.

All commentary as at 30 November 2023.

Given the February 2022 inception, the Fund has a limited track record. Notwithstanding this, Zenith gains confidence from CorVal's strong performance track record across its institutional and sophisticated investor-focused vehicles.



Relative performance

Excess returns

Statistic	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Excess Return	3.61%	7.00%	11.14%	7.76%	7.76%
Monthly Excess (All Mkts)	33.33%	50.00%	75.00%	70.83%	70.83%
Monthly Excess (Up Mkts)	0.00%	25.00%	62.50%	63.16%	63.16%
Monthly Excess (Down Mkts)	100.00%	100.00%	100.00%	100.00%	100.00%

Capture ratios (% p.a.)

Statistic	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Downside Capture	-7.69%	-29.81%	-15.44%	-19.19%	-19.19%
Upside Capture	81.52%	92.29%	119.91%	134.10%	134.10%

Tracking error (% p.a.)

Instrument	1 Yr	2 Yrs	Inception
Investment	4.77%	4.52%	4.52%
Median	3.24%	2.63%	2.63%

Information ratio

Instrument	1 Yr	2 Yrs	Inception
Investment	2.33	1.72	1.72
Median	1.47	0.80	0.80

Beta statistics

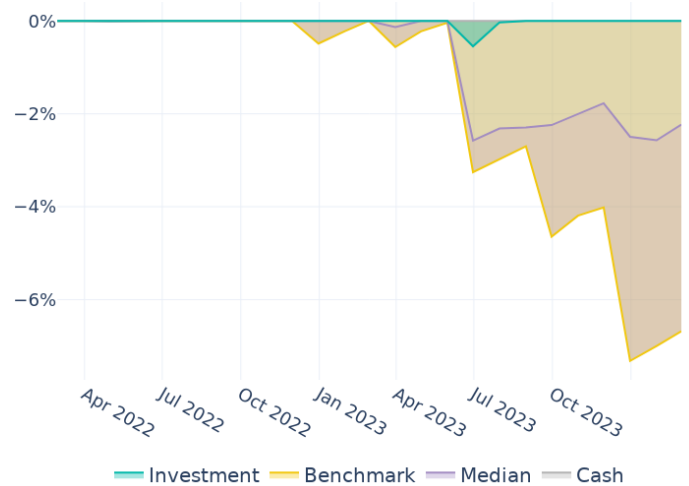
Statistic	1 Yr	2 Yrs	Inception
Beta	0.06	0.25	0.25
R-Squared	0.04	0.09	0.09
Correlation	0.20	0.31	0.31

All commentary as at 30 November 2023.

Given the heterogeneous nature of the asset class, Zenith highlights that relative performance statistics hold limited value in comparing Real Assets funds.

Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



All commentary as at 30 November 2023.

Given the February 2022 inception, the Fund has a limited track record.



Fund commentary

Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks:

Key person risk: Zenith believes Rayner and Bray to be integral to the success of CorVal's business and investment operations, including the Fund. Notwithstanding the team-based approach to property management, the departure of either may result in Zenith re-assessing its rating on the Fund. Our concern with regard to key person risk is moderated somewhat with both retaining equity in CorVal.

Fund-of-fund risk: The Fund's seed portfolio is predominantly comprised of CorVal unlisted fund investments. While CorVal intends to build out the portfolio with direct assets, reducing unlisted funds to approximately 20% to 25% over time, Zenith highlights this will be contingent on CorVal raising equity and may take some time to achieve. Until such time, Fund liquidity may be more constrained.

Longevity risk: Funds that fail to grow FUM to a scalable level could be wound up and terminated by the Responsible Entity. The risks associated with a fund wind-up are principally that of timing, performance slippage, and the crystallisation of capital gains that bring with them tax payment obligations. The Fund had a gross asset value (GAV) of approximately \$A 79 million as at 30 September 2023. Until the Fund reaches the requisite level of scale, there is a risk that the Fund could be wound-up.

Performance risk: Although the sector agnostic approach is an appealing feature of the Fund, it could lead to materially different performance from that of the Fund's assigned benchmark and other diversified peers. This may result in underperformance over certain periods.

Finance risk: The Fund has debt facilities of \$A 17.7 million that are due to expire in 2026. There is no guarantee that the availability or terms of finance past this point will be similar to the facilities currently secured. Furthermore, we note that the size of the facility is small and the failure to secure a larger facility as the Fund grows would limit the successful implementation of the investment strategy.

Leverage risk: The Fund is managed with a target look-through gearing ratio of between 35% and 45% with a maximum permitted level of 55%. Leverage applied within the underlying CorVal unlisted funds can exceed this level.

Fund structure risk: The Fund's investment in other property funds means investors will not have voting control (i.e. a majority), over the underlying funds. In addition, the ability of the Fund to divest underlying fund interests may not be as easily accomplished as the facilitation of a direct property sale.

Value-add risk: CorVal employs value-add strategies that typically seek to increase asset cash flow over time by improving or repositioning properties. While successful value-add projects will typically generate higher returns than core strategies, these strategies bear more risk due to the fact that at the time of acquisition, the property is not operating at its full potential. Any failure to adequately execute the proposed asset plan can result in higher losses than would otherwise be expected in lower-risk strategies.

Development risk: While typically limited, some of the assets are potentially exposed to risks around the completion of construction, including risks of completion delays. While these risks should be adequately catered for due to the structuring of development agreements, development risk cannot be mitigated entirely.

Security/asset selection

The Fund operates under a wide mandate with the ability to target direct assets and investments in CorVal-managed unlisted property funds. The below section relates to the selection of direct assets.

CorVal's sector-agnostic approach generally means the team are not limited to property sectors or geographies based on the firm's prevailing top-down view of the market.

With income, a key tenant of the Fund, property assets that have a strong tenancy profile are favoured. While CorVal will consider alternative property types with long-term structural trends such as agriculture-linked properties and tourism, in traditional property sectors they target the following characteristics:

- Industrial - Properties in land-constrained locations
- Office - Properties with a compelling proposition for tenants or the ability to actively manage the asset, generating returns
- Retail - Properties with a significant portion of income derived from secure tenant

CorVal targets assets sized between \$A10m and \$A30m given lower competition from institutional investors in this sector of the market. In addition, CorVal leverages its extensive networks and strong reputation to acquire properties in off-market transactions where possible.



In pursuing a bottom-up, value and value-creation approach a key aspect is the ability to acquire assets below their intrinsic value. CorVal seeks to achieve this in multiple ways.

- CorVal reviews a high number of investment opportunities across a variety of property sectors, characteristics, and risk profiles, determining whether there is suitability across the funds and mandates they manage. The volume of potential investments reviewed allows CorVal to be opportunistic, engaging in off-market transactions, and negotiating with situational-driven vendors to secure assets at attractive discounts.
- CorVal determines intrinsic value through traditional rental income-based methods (i.e. using a capitalisation of income approach and discounted cash flow (DCF) analysis). In addition, CorVal will seek to place a value on the 'land' using concepts such as 'higher and better use' and value as a development site/vacant possession.
- Lastly, CorVal targets assets with value-creation opportunities such as asset repositioning/refurbishment strategies or acquiring undermanaged assets (i.e. those with some vacancies and potential rental upside).

For the Fund, CorVal targets income-producing assets on attractive yields with long-term leases. CorVal favours assets with 'downside protection' which they characterise as assets where the intrinsic or 'land' value exceeds the value based upon income.

Acquisitions

At the weekly pipeline meeting, the transaction team, led by Chief Investment Officer, Oliver Picone, present the available investment opportunities for discussion with the broader investment team. Selected opportunities from the meeting are then chosen for further analysis including 'desk-top' financial modelling and asset cashflows projections.

An aspect of the process that differs from peers is that the transaction team are authorised to make non-binding, 'speculative' offers on assets deemed appropriate by the collective team within the weekly pipeline meeting. Zenith highlights these non-binding offers are opportunistic and frequently used by the transactions team which necessitates the need for the prior authority to be delegated by the IC.

For each proposed acquisition an investment report is compiled by the transactions team and submitted to the IC. The report details key assumptions, a proposed asset management strategy, an analysis of the risks and associated risk mitigants, and a recommended price range that will deliver the targeted risk-adjusted returns.

Once IC approval has been granted, a formal offer is submitted with the view to securing an exclusivity period in which to undertake more detailed due diligence. If secured CorVal, appoints external consultants as follows:

- Valuation agency to conduct an independent valuation to support the proposed acquisition price;
- Technical consultant for physical due diligence, including environmental considerations;
- An externally appointed law firm to perform necessary legal due diligence; and
- Other specialist consultants may also be appointed to address specific risks or provide specific research, where appropriate.

A physical inspection is carried out by the transactions and asset management teams. The transaction team will also conduct tenant interviews and have a dialogue with on-the-ground leasing agents to determine the appeal of the property.

All of these items are summarised in a final investment report for the IC's consideration. Subject to the completion of due diligence to the satisfaction of the IC, final approval is provided to enter into a binding contract to acquire the property.

While the transaction teams are tasked with driving the acquisitions process, in practice they work closely with Bray, the asset managers and Sahota as the Fund Manager throughout the process.

Overall, Zenith considers CorVal's asset selection approach to be differentiated from peers owing to the wide number of assets screened for investments and the opportunistic approach to asset acquisition. While differentiated, Zenith believes it to be logical and conducive to CorVal's value-driven approach to property investment.

Asset management

A key aspect of asset management is the creation of an asset strategy for each property. While ultimately approved by the IC in the investment case, it is the role of the transactions team to formulate an appropriate strategy for the asset, which also must be suitable for the risk profile of the Fund. The transaction team works in a collaborative approach with Sahota and the asset managers to develop and manage the asset strategy.

A quarterly asset management meeting is conducted to monitor the progress of the property compared with the asset strategy. This includes key strategic items such as leasing events/expiries, capital works and other initiatives. Asset strategies are regularly refined in light of the prevailing environment and market conditions.

Property management is outsourced to third-party agencies. Asset managers are provided monthly management reports that detail all aspects of the property including leasing, facilities management, capital expenditure, sustainability and other tenant matters. Asset managers typically visit assets on a quarterly basis.

Dispositions

Included in the investment case for each asset is a disposition strategy. This disposition strategy is monitored throughout the investment period and will be refined as required. If holding the asset no longer meets the investment objective for the Fund the asset may be sold. A divestment report is compiled by the transaction team and Sahota and presented to the IC detailing the rationale. Once approved by the IC, the transaction team manage the sales process.

Asset development

Value creation strategies are included in the asset management strategy and can cover a range of initiatives. Primarily, they take the form of brownfield development opportunities, extending and or repositioning assets rather than greenfield development.

Development risk to the Fund is minimised through a range of methods including seeking pre-commitments from tenants and fixed-price development contracts.



Responsible investment approach

Zenith notes that while the Fund does not have any specific Environmental, Social and Governance (ESG) exclusions in the traditional sense, ESG as a consideration forms part of the investment decision-making process.

CorVal became a signatory to the Principles for Responsible Investment (PRI) in September 2022. There is both ESG and Sustainability policies in place which were last updated in June 2021.

Where applicable, measures such as the Green Building Council Australia Green Star Certification system or the National Australian Built Environment Rating System (NABERS) are utilised to measure sustainable design, construction and operational impacts across properties on the environment.

Within the asset management strategy for each asset, sustainability performance is monitored through NABERS ratings and the progress is reported by the external property managers monthly. CorVal will appoint external consultants to recommend strategies and capital works to improve the performance of the assets. Given the nature of the assets targeted for the Fund, Zenith expects these improvement strategies to be applicable across most assets.

While Zenith acknowledges the ongoing sustainability enhancements at the asset level, we consider CorVal's approach to responsible investment less developed than peers. Zenith believes the approach would benefit from the continued formalisation of frameworks and reporting including participation in third-party verification programs.

Zenith has assigned the Fund a Responsible Investment Classification of Aware.

Portfolio construction

While the portfolio is expected to be diversified across sectors and geographies, Zenith highlights the bottom-up, sector-agnostic investment approach.

Given the recent inception of the Fund in February 2022, the portfolio is still in the build-out phase. The Fund was initially seeded with units in eight CorVal unlisted funds, representing exposure to 13 properties across various property sectors. Zenith highlights the challenges of building diversification in real assets funds early in their lives. Zenith believes CorVal's approach to seeding the Fund provided immediate diversification by region, sector and assets within the portfolio with assets in keeping with the investment strategy.

Over the last twelve months, CorVal have continued the build out phase of the portfolio, acquiring three direct property assets, all in the Industrial sector. We highlight that while all assets are in the same sector, they are geographical diverse across Queensland, South Australia and New South Wales.

CorVal targets a portfolio comprising approximately 75% of direct assets and 25% to CorVal-managed unlisted funds. Typically, these unlisted investments will be structured as closed-end, single-asset syndicates. Zenith highlights that assets deemed more suitable CorVal's unlisted funds are likely to have different risk/return characteristics than the assets selected directly for the Fund. The unlisted funds may have higher returns, lower income levels, greater levels of leverage and enhanced value-add opportunities.

Zenith considers supplementing the income-focused direct assets with higher returning opportunities as an effective way of adding incremental growth opportunities and different return drivers for the Fund. Notwithstanding this, we highlight the potential lower liquidity profile of closed-end vehicles. As the portfolio is built out with more direct assets we note this risk should diminish over time.

As at the 30 November 2023, the portfolio comprises a look through exposure to 25 assets, across the following sectors:

- Industrial - 70%
- Office - 17%
- Agricultural Infrastructure -10%
- Tourism - 2%

The portfolio has a WALE of approximately 8.5 years and an occupancy of 99% as at 30 November 2022.

Leverage

The Fund is operated under a maximum look-through gearing of 55% with a target range of 35% to 45%. As at 30 November 2023, the Fund has a look through the gearing of 41%.

While Zenith considers the current level of overall gearing appropriate, we note there are no formal limits on the maximum gearing permitted at an assets level (i.e. within the underlying unlisted fund allocations).

Overall, Zenith considers CorVal's approach to portfolio construction to be consistent with its sector-agnostic approach. Further, we consider the ability to access incremental growth opportunities and different return drivers via unlisted fund allocations to be an attractive feature of the process. While the Fund is still in the build-out phase, we consider the current portfolio exposure as sufficiently diversified and in keeping with the Fund strategy despite the modest asset base.

Risk management

The Fund is managed under wide portfolio guidelines listed above. Zenith highlights that given the portfolio is in the buildout phase, the above exposure guidelines are not hard portfolio constraints. CorVal has indicated that once the portfolio reaches \$A 150 million, the guidelines will be considered and formalised into constraints. The Fund's investment guidelines, operations and performance is overseen by the IC.

Zenith considers this a pragmatic approach, balancing the need to provide investors guidance with the practicalities of building a Real Assets portfolio.

CorVal believes that risk is managed through the entire investment process through its active approach to property. This includes asset selection with the use of independent valuations, physical, technical, financial and legal due diligence.

Valuation and unit pricing

Unit pricing for the Fund is set on a daily basis. Fund assets will be independently valued on at least an annual basis, if not more frequently. Directors valuations may also be carried out on interim quarters (or within two months after the directors form a view that there is a likelihood there has been a material change in the value of the property).



Liquidity

The Fund offers monthly liquidity with no formal limit on withdrawals, however, it will be subject to sufficient liquidity available. Redemptions are expected to be paid within 10 business days from the end of each month. Zenith notes that the Fund's constitution allows 365 days for a redemption request to be accepted, with another 21 days to pay the request.

The Fund also has Periodic Liquidity Events offered at each five-year anniversary. It is intended that the first Periodic Liquidity Events will be offered in January 2027. The capacity to facilitate Periodic Liquidity Events is intended to be funded by either asset sales, equity raisings, debt or a combination of these with the Responsible Entity communicating its intended method to investors at the time of the event. It is intended that the redemptions are paid within 12 months of the event.

CorVal has indicated that if redemptions during full liquidity events were to exceed a certain threshold, they will seek to wind up the Fund. In Zenith's opinion, the Fund's liquidity provisions are appropriate.

Notwithstanding this, Investors need to be aware that real assets funds do not traditionally offer the same level of liquidity as publicly listed securities and regardless of fund liquidity mechanisms, investors may face circumstances where available liquidity is insufficient.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	1.92% p.a.	1.89% p.a.
Management Fees and Costs	1.24% p.a.	1.13% p.a.
Transaction Costs	0.68% p.a.	0.51% p.a.
Performance fees	Not disclosed	0.34%
Performance fees description	20% of the excess over a Fund level equity internal rate of return (IRR) hurdle of 8% per annum, calculated at each 5-year anniversary or when the payment of the fee is otherwise due.	
Management Cost*	0.60% p.a.	0.93% p.a.
Buy / Sell spread	0.00% / 0.25%	0.12% / 0.59%

All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

**Management Cost is based on the gross asset value of the fund.*

The sector average management cost (in the table above) is based on the average management cost of all "Real Assets – Real Estate / Australia" surveyed by Zenith.

Investors should be aware that the effective cost of investing in the Fund may be significantly higher when assessed over the Net Asset Value (NAV), that is, the net cost will increase with a higher level of gearing.

The performance fee is calculated and accrued quarterly over a five-year period and are subject to earning back any underperformance. Performance fees paid are not capped in any one year. Zenith considers the performance fee broadly appropriate. However, unitholders should consider the implications of a fee structure that relies on absolute returns rather than relative to an unlisted property benchmark index.

An acquisition and disposal fee of 1% of the purchase/sale price of assets.

In sum, Zenith considers the overall fee load as competitive.

About the fund manager

Organisation

RF CorVal Partners Limited (CorVal) was established in 2009 as the real estate investment arm of RF Capital Pty, a large family office. Based in Sydney, CorVal has 23 staff who work exclusively for the funds management business.

As at 30 September 2023, ownership is divided between founding partners Andrew Roberts via RF Capital (70%), and Rob Rayner (Chief Executive Officer) (20%) with Kerr Bray (Chief Operating Officer) (10%), also an equity holder.

CorVal has developed a strong track record in core-plus and value add investment strategies, primarily in the office and industrial sectors. However, with a flexible unconstrained, value-driven approach, they have invested across a range of alternative property types such as manufactured housing, hotels and agricultural infrastructure.

CorVal currently manages approximately \$A 1.8 billion in assets under management (AUM) in Australian direct property on behalf of institutional investors, family offices and retail investors as at 30 November 2023.

As at 30 November 2023, the Fund had funds under management (FUM) of \$A 79 million.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Rob Rayner	Chief Executive Officer	31	14	Sydney, Australia
Kerr Bray	Chief Operating Officer	26	14	Sydney, Australia
Sanjeev Sahota	Fund Manager	17	6	Sydney, Australia
Oliver Picone	Chief Investment Officer	17	11	Sydney, Australia

The CorVal team of 14 property investment professionals is led by Rayner as CEO who oversees the overall business. Rayner has over 30 years of experience in property and investments including senior roles with Brookfield Multiplex and Acumen Capital prior to founding CorVal.



Zenith considers Rayner a highly experienced property investor and executive whose relationships and business reputation are integral to CorVal. This includes his involvement across all aspects of the business including capital raising and the sourcing and assessment of investment opportunities. While Rayner oversees the business and sits on the Investment Committee (IC) responsible for overseeing the Fund's investment program, we highlight he also remains intimately involved in day-to-day investment matters, a factor that Zenith views favourably.

Bray, as COO, oversees CorVal's investment functions including dedicated resources responsible for transactions, asset management, development and portfolio management. Bray has over 25 years of experience and prior to joining CorVal, held roles in Europe and Australia for Tishman Speyer and ING Investment Management, respectively.

Having previously served in a Fund Manager capacity at CorVal, Zenith considers Bray's ability to work across the different investment functions as key to the overall investment program, managing it in a 'hands-on' manner. Given CorVal's active, value-driven approach, Zenith considers Bray's involvement critical to the ongoing management of the Fund.

Day-to-day management of the Fund is the responsibility of the Fund Manager, Sanjeev Sahota. Sahota joined CorVal in January 2019 following various roles within GPT including valuations, funds management and asset management and has over 16 years of industry experience. Zenith considers Sahota suitably experienced, highlighting his prior roles across various funds management functions.

Responsibility for acquisitions and divestments at CorVal falls to Oliver Picone, Chief Investment Officer. Picone has over 16 years of industry experience, with over 10 at CorVal. Prior to CorVal Picone held various valuations roles including with CBRE. Zenith highlights Picone's deep involvement in the management of the Fund and we consider him to be central CorVal's value-orientated investment approach.

The remainder of the team is formally divided along functional lines, however, in practice, the team operates in a flat structure with very high levels of communication. While the team members all bring different property sector expertise (i.e. office, industrial), given the small size, members are expected to work across various property types.

Zenith considers the team to be highly experienced and appropriately resourced, highlighting the collaborative team dynamic and shared investment philosophy.

Given the small team relative to larger integrated property platforms, CorVal is prepared to augment its detailed property knowledge with the use of external consultants. CorVal has previously commissioned research with experts across a range of topics including industry analysis, demographics and detailed credit reviews of potential private tenants.

Zenith considers CorVal's engagement of outside experts to be logical given the size of the team. Furthermore, we note that the high-value add nature of the research insights allows the team to focus on their key relative strengths in assessing investment opportunities.

The Fund is overseen by the IC and comprises Roberts, Rayner, and Bray with independent members Chris Judd and John Dillion. Judd and Dillion are both highly experienced property investment management, professionals. This IC convenes on an as-needed basis to review and ratify acquisitions, disposals and

major material asset-level decisions. The IC reviews the Fund's performance, risk management and overall exposures on an annual basis.

Asset management

CorVal operates with a team of five dedicated to its asset management responsibilities. Property and facilities management is outsourced to third-party managers who provide monthly reports across a range of aspects. Asset managers are involved early in the asset acquisition process and are key inputs into the development of asset management and disposition strategies.

Remuneration is based upon a fixed salary and discretionary short-term incentives paid as a percentage of their salary. A discretionary long-term incentive program is linked to a percentage of performance fees CorVal receives on investments. Staff members undergo an annual review of key KPIs and developmental goals.

About the sector

Sector characteristics

The Zenith "Real Assets – Real Estate / Australia" sector consists of strategies which predominantly invest in Australian real estate. These funds hold the majority of their portfolio in unlisted assets as opposed to listed securities. Funds in the sector are generally benchmark unaware, with most utilising absolute return objectives.

Real estate investments encompass a range of risk/return profiles depending on the portfolio assets, fund strategy and capital structure. Depending on this mix, funds may exhibit characteristics of either defensive or growth type assets in a portfolio context. Zenith considers this asset class to possess a moderate risk profile, although individual fund risk profiles will vary widely.

Typically, unlisted real estate exhibits lower volatility than listed property and equities and low correlations to listed assets. This is largely driven by the low liquidity of these assets which generally have limited opportunities to exit. Fund liquidity mechanisms vary but should not always be relied on to deliver in periods of market stress. Investors should be aware of the consequences of an allocation to what is an inherently illiquid asset class in their investment portfolio.

Sector risks

Funds within the "Real Asset – Real Estate / Australia" sector are exposed to the following broad risks:

Illiquidity risk: Investment in direct real estate investment funds can be prone to liquidity dislocations owing to the fundamentally illiquid nature of the underlying assets. Long duration illiquid assets means investors typically have limited ability to react to any changing conditions by reducing or redeeming their investments. Regardless of any liquidity mechanisms present, investors may face circumstances where available liquidity dries up.

Valuation risk: Given the nature of private market investing, valuation risk is considered high relative to public listed markets. As such, the reported value of investments may be higher than the ultimate realisable value of these assets.



Market & economic risk: A significant risk to performance is a sustained downturn in the real estate markets. Supply and demand balances of assets (and leasing opportunities) will also impact outcomes. In addition, changes in economic, social, technological or political conditions, as well as market sentiment could also lead to negative fund performance.

Income risk: The risk of a tenant vacating a property, failing to meet their rental obligations or failing to renew a lease can have a detrimental impact on rental returns and ultimately fund distributions.

Value risk: Property values are influenced by location, supply and demand, rental agreements, occupancy levels, obsolescence, tenant covenants, environmental issues and government or planning regulations. Changes to these drivers may affect the end value of the property.

Leverage risk: Investors should be aware that the effects of gearing can magnify gains as well as losses. In a loss scenario this may result in potential impairment of values and forced disposal at a time when markets may not be ideally placed to recover the equity value.

Management risk: Management risks encompass a wide range of factors relating to personnel (key person risk), counterparty risk (risk of management not being able to fulfil their duties due to insolvency) and skillset (ability to effectively and efficiently carry out strategies).

Capital expenditure risk: Real assets typically require capital expenditure programs to ensure value and operations effectiveness is being maintained. Aging assets, technological innovation and changing regulations may all impact expenditure required to maintain asset values, impacting fund returns.

Capital deployment risk: The ability to deploy capital rapidly in real assets tends to be slower than for liquid markets. Inability to deploy capital in an appropriate timeframe may result in dilution to strategy returns due to cash drag.

Administration and operations

Responsible Entity	CorVal Partners Limited
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Zenith rating

Report certification

Date of issue: 13 Dec 2023

Role	Analyst	Title
Analyst	Bonnie Corbett	Senior Investment Analyst
Sector Lead	Bonnie Corbett	Senior Investment Analyst
Authoriser	Bronwen Moncrieff	Head of Research

Association & relationship

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Rating history

As At	Rating
13 Dec 2023	Recommended
15 Dec 2022	Recommended
29 Mar 2022	Not Rated - Screened Out

Last 5 years only displayed. Longer histories available on request.

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.



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