



13th September 2018

Dear Investor

Australia China Investment Fund

Investment Manager's Report

Welcome to the Manager's Report for the Australia China Investment Fund (**Fund**) for the 12 months to 30th June 2018.

Australia China Investment Fund Ltd is the Investment Manager of the Fund and has prepared this Investment Manager's Report to accompany the financial accounts prepared for the Fund by the Trustee, Vasco Investment Managers Limited for the year to the 30th June 2018.

A more detailed report will also be provided by the Manager direct to investors in the Fund in the near future.

Investment objective

Since the inception of the Fund it has been the objective of the Manager to provide our investors with investments that:

- provide a return averaging 7.5% per annum distributed quarterly as we indicated in our Information Memorandum; and
- are compliant with the Significant Investor Visa legislation that was in force prior to 30th June 2015.

This report summarises the progress of the principal investments made by the Fund, and provides a brief update on the Australian economy and property market.



Principal activities

The principal activity of the Fund during the period continued to be an investment in the SKY ONE project being developed by the Golden Age Group in Box Hill in Melbourne with a further smaller investment being a mortgage secured loan made to the Caydon Group.

The Golden Age Group

The Golden Age group are an established development company who have specialised in developing high-quality landmark sites in Melbourne and Sydney including the Sheraton Hotel in Melbourne and the Macquarie Park development in Sydney.

The Fund has invested in this project by subscribing to Preference Units in the Box Hill Development Unit Trust.

The SKY ONE project

The SKY ONE project is located at Box Hill which is a major suburban hub in metropolitan Melbourne.

Box Hill is located some 20 km east of the Melbourne CBD. The area has for many years been identified by successive state governments as a major development location and transport hub.

The development will comprise 35 floors and 8 levels of basement carparks. It will include 440 apartments and 3500 m² of retail and commercial space.

The project has proven very attractive to the market. Golden Age advise that only 12 out of 440 units remain unsold. The majority of buyers are local, with over 60% of local buyers currently residing within 10 km of the site.

Building has progressed swiftly over the last 12 month and at the time of writing construction of the building core had reached level 14 and installation of the podium levels facades had commenced.



The project is expected to reach practical completion in September 2019.

Post investment monitoring

Since the investment was made we have:

- had update briefings from the a senior executive of the Golden Age Group
- undertaken a site inspection.

At the time of writing the financial accounts for the Box Hill Development Unit Trust for the year to 30th June 2018 were not available for review.

The Caydon Group

The Caydon Property Group is a privately owned Melbourne based specialist property developer. Their projects are located in Melbourne and in Houston, Texas in the USA.

It has operated successfully for over 15 years and is a diverse developer with experience in residential, commercial, retail and hotels.

Most of the Group's residential projects are located in the inner suburbs of Melbourne.

Cremorne mortgage loan

In February 2017 the Fund made a loan to the Caydon Group secured by a mortgage on a future development site owned by the Group at Cremorne in the suburb of Richmond.

Richmond is an inner suburb of Melbourne being located 3km from the CBD.

The loan made by the Fund meets our investment objectives which are:

- to provide a quarterly income return to investors of 7.5% pa
- to be compliant with the pre June 2015 Significant Investor Visa legislation.



The Australian Economy

The Australian economy is continuing to grow and has been growing consistently for over 20 years, with the current year on year Gross Domestic Product (GDP) growth being at a rate of 3.1%. This GDP growth rate is still within the guidelines set by the Reserve Bank in order to ensure that the economy continues to grow without excessive inflation.

Interest rates have been at an all-time low for the Australian economy and are still above the rates prevailing in similar developed economies. At the time of writing interest rates are starting to move upward.

The Australian property market

The Australian property market is continuing to experience growth in property values with the national year on year growth to July 2018 being 5.1% notwithstanding declines in the Sydney, Darwin and Perth markets.

Commentators have continued to express some concern about the level of apartments coming onto the market in the central business districts of Melbourne and Brisbane. However, your fund has not invested in any projects in this segment of the market.

Should you have any queries please do not hesitate to contact the writer at imortley@acifund.com.au

Yours faithfully

Ian Mortley

Director