

# Current Portfolio for the 35 Latitude Development Fund

31<sup>st</sup> December 2018

## IMPORTANT INFORMATION

This current portfolio report (**Report**) supplements the Product Disclosure Statement for the 35 Latitude Development Fund (Fund) dated 6 September 2017 (PDS) issued by Vasco Investment Managers Limited ACN 138 715 009 AFSL 344486. This Report should be read together and construed together with the PDS.

A number of defined terms are used in this Report and the meaning of these terms is explained in section 11 (Glossary) of the PDS.

To the extent that there is any inconsistency between any statement contained in this Report and any other statement contained in the PDS or in any information or in any document incorporated by reference into, and forming part of, the PDS, the statements contained in this Report will prevail.

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This document is not a product disclosure statement as defined in the Act. Accordingly, it does not purport to contain all information that potential investors may need to make an informed assessment as to whether or not to invest in the Fund.

A media frenzy of negativity toward the housing sector frames the start of 2019, coupled with an ongoing challenging lending environment.

Whilst all the press has highlighted “negative growth” in the Sydney and Melbourne property markets, pundits continue to ignore that the property market is made up of many differing locations, market segments and niches, which all perform differently to each other. Even within particular suburbs there are differing conditions, based on the style and condition of housing, pricing, location, along with supply and demand.

We continue to believe being able to create a wholesale product in price range suburbs will deliver strong profits for our investors, and remain relatively immune to short term fluctuations.

Whilst progress continues to be slow on the funding front, our preferred bankers are nearing formalizing another 2 proposals and expect further funding to follow. This has been frustrating as time taken to complete their legal and credit reviews has repeatedly blown out. We are assured, however, that we can expect a much smoother process moving forward. Formalising these will provide much greater certainty on both timeline and completion dates for projects, not only for our investors, but also end purchasers which have remained patient during this process.

On the investment front, we have progressed the funds position by:

- Continued construction at Main Rd Fennell Bay funded from cash reserves to maintain builder momentum.
- Looking to commence initial site works at Charlestown and Argenton end of January with formal funding for remainder of works on a similar timeframe.
- Commence civil works on Dubbo land release with a further 10 sites sold during the last quarter.
- Finals council review of our Hamilton site, with assessing officer promising an approval late January/early February.
- Construction documentation completed for Toronto project, as we will now review tenders and marketing opportunities to determine a timeline for construction.
- Progression of our re-zone planning proposal relating to the “Waratah Golf Club” Joint Venture.
- Continued discussions with a “Not for Profit” around their de-vestment plans for their property portfolio.

## UNIT PRICE MOVEMENT

Currently, we have a number of projects at very similar stages of the development cycle, which reflects a relatively benign unit price. As current projects reach completion and profits are returned to the Fund, we expect to see an uplift to the unit price.

Additionally, we should experience a more consistent unit price change as our deal flow become more evenly spread over time.

## VALUATION METHOD

One of the difficulties is managing the valuation of development projects as they progress through the development process. As we are investing in an illiquid asset, valuation uplift is not a smooth transition over time.

In order to provide provision for changing values of projects during this process, a valuation model was designed to re-value projects as they progress through certain “benchmarks” triggering a re-valuation of the asset at these times.

These “Benchmarks” are:

- DA Submission - Valuation is equal to Property acquisition costs PLUS all accrued consultant costs PLUS 5%
- DA Approval -Valuation is equal to Property acquisition costs PLUS all accrued consultant costs PLUS 15%
- Commencement of Construction - Valuation is equal to Property acquisition costs PLUS all accrued consultant costs PLUS council costs PLUS 20% PLUS site capital work costs
- Project Completion - Valuation is equal to realised sales values MINUS total costs

We are looking forward to some significant progress on the construction front over the next quarter and in turn the unit price (investor return) moving forward.

Kind regards,



**BRETT BROOKFIELD**  
DIRECTOR

## CURRENT PORTFOLIO OVERVIEW

A description of the Fund's portfolio as at the date of this report is set out below. Over time, as the Fund acquires properties and completes projects, the Fund's portfolio will change. The Fund has purchased two properties and all of the units in six separate unit trusts (Development Trusts), each of which are undertaking development projects managed by the Investment Manager as follows:

<b>PROPERTY</b>	<b>DEVELOPMENT TRUST</b>
<b>300 Main Road Fennell Bay</b>	<b>Main Road Unit Trust</b>
<ul style="list-style-type: none"><li>• Construction commenced</li><li>• All first floor frames erected, with brickwork and roofing commenced on single level villas</li><li>• Flooring systems and frames being installed on 1st floor townhouses</li><li>• Completion expected mid 2019</li></ul>	
<b>404-406 Lake Rd Argenton</b>	<b>Argenton Lake Unit Trust</b>
<ul style="list-style-type: none"><li>• Initial site works to commence January 2019</li><li>• Finance being finalised</li><li>• Completion expected late 2019</li><li>• 50%+ of development currently sold</li></ul>	
<b>300 Pacific Hwy Charlestown</b>	<b>Dickinson Pacific Unit Trust</b>
<ul style="list-style-type: none"><li>• Initial site works to commence January 2019</li><li>• Finance being finalised</li><li>• Completion expected late 2019</li><li>• 50%+ of development currently sold</li></ul>	
<b>10 Faucett St Blackalls Park</b>	<b>Blackalls Unit Trust</b>
<ul style="list-style-type: none"><li>• Awaiting indicative finance approval to commence initial site works.</li><li>• Power upgrades approved and site cleared.</li></ul>	
<b>Morgan St Dubbo – stage 1</b>	<b>Dubbo Project Unit Trust</b>
<ul style="list-style-type: none"><li>• Awaiting construction certificate to begin civil construction</li><li>• Electricity upgrade works have been completed</li><li>• Marketing to commence for villa stage once civil contractor on site</li></ul>	
<b>38 French Rd Wangi Wangi</b>	<b>Rustyk Unit Trust</b>
<ul style="list-style-type: none"><li>• Reviewing project options based on tender prices</li><li>• Considering a design modification</li></ul>	

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## 124 The Boulevard Toronto

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- Reviewing marketing and pricing
  - Construction documentation completed for review
  - Commencing tender process with builders
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## 5-7 Swan St Hamilton

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- Council DA and SEPP meeting completed with support from panel
- Expect approval Jan/Feb 2019

## OTHER PROSPECTIVE INVESTMENTS

### Waratah Golf Club – Joint Venture

- Golf club land to be re-zoned for medium density residential.
- Initial meetings with council have been positive and indicative support.
- Flood study and contamination reporting complete and preliminary planning proposal submitted to council in December 2018 for initial feedback.
- Joint Venture opportunity with initial Heads of Agreement agreed.
- Profit share of development profits at completion of each stage, with Golf Club only receiving their land contribution at the completion of each build stage (proceeds of sale).

## PROJECT COST SUMMARY

### Property - Main Rd Fennell Bay

Gross Realisation	\$	5,650,000
Construction Costs	\$	3,300,000
Outstanding project expenses	\$	-
Contingency @ 5%	\$	165,000
Interest Estimate	\$	200,000
Agents fees and marketing @2.5%	\$	166,250

### Property - Morgan St Dubbo (Stage 1)

Gross Realisation	\$	1,590,000	
Construction Costs	\$	800,000	
Outstanding project expenses	\$	250,000	1
Contingency @ 5%	\$	40,000	
Interest Estimate	\$	-	2
Agents fees and marketing @2.5%	\$	-	3

### Property - Dickinson St Charlestown

Gross Realisation	\$	4,720,000
Construction Costs	\$	2,350,000
Outstanding project expenses	\$	-
Contingency @ 5%	\$	117,500
Interest Estimate	\$	175,000
Agents fees and marketing @2.5%	\$	118,000

### Property - Morgan St Dubbo (Stage 2) Morgan St Dubbo (stage 2)

Gross Realisation	\$	3,840,000	
Construction Costs	\$	2,150,000	
Outstanding project expenses	\$	250,000	1
Contingency @ 5%	\$	107,500	
Interest Estimate	\$	175,000	
Agents fees and marketing @2.5%	\$	115,200	

### Property - Lake Road Argenton

Gross Realisation	\$	4,270,000
Construction Costs	\$	2,700,000
Outstanding project expenses	\$	-
Contingency @ 5%	\$	135,000
Interest Estimate	\$	160,000
Agents fees and marketing @2.5%	\$	106,750

### Property - The Boulevard Toronto

Gross Realisation	\$	3,150,000	
Construction Costs	\$	1,600,000	
Outstanding project expenses	\$	80,000	1
Contingency @ 5%	\$	80,000	
Interest Estimate	\$	100,000	
Agents fees and marketing @2.5%	\$	78,750	

### Property - Faucett St Blackalls Park

Gross Realisation	\$	6,100,000	
Construction Costs	\$	4,000,000	
Outstanding project expenses	\$	220,000	1
Contingency @ 5%	\$	200,000	
Interest Estimate	\$	200,000	
Agents fees and marketing @2.5%	\$	152,500	

### Property - Swan St Hamilton

Gross Realisation	\$	4,850,000	
Construction Costs	\$	2,300,000	
Outstanding project expenses	\$	25,000	1
	\$	50,000	4
Contingency @ 5%	\$	115,000	
Interest Estimate	\$	200,000	
Agents fees and marketing @2.5%	\$	121,250	

### Property - French Road Wangi Wangi

Gross Realisation	\$	1,700,000	
Construction Costs	\$	1,000,000	
Outstanding project expenses	\$	50,000	1
	\$	50,000	4
Contingency @ 5%	\$	50,000	
Interest Estimate	\$	50,000	
Agents fees and marketing @2.5%	\$	42,500	

#### Notes

- 1 - Council Contribution Fees
- 2 - Utilising cash reserves
- 3 - Land sales without intervention of agent
- 4 - Consultants fees

## PROJECT SUMMARY

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PROPERTY: 300 Main Road Fennell Bay

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### DEVELOPMENT PROFILE

A 2,648m<sup>2</sup> site in Fennell Bay with development approval granted to construct a property mix of 13 townhouses and villas. Fennell Bay is regarded as one of the lakes best kept secrets. Resting only five minutes from Toronto with a large range of cafes, restaurants, supermarkets and every day services such as banks, post office, pharmacies, close proximity to quality schools, cinemas, major shopping centres and an abundance of lifestyle activities.



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PROPERTY: 404-406 Lake Rd Argenton

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### DEVELOPMENT PROFILE

A 1,900m<sup>2</sup> site in Argenton with development approval granted to construct a mix of 9 Townhouses with views over a premier golf course. Argenton is readily accessible to a range of dining options, retail opportunities, aquatic activities and public transport. The central position is attractive to a range of buyers with an easy walk to Glendale Super Centre for everyday items, retail therapy and Waratah Golf Course is on the doorstep.



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**PROPERTY:**            300 Pacific Hwy Charlestown

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#### DEVELOPMENT PROFILE

A double block with rear street access in the heart of Charlestown, development approval has been granted to construct a mix of 8 townhouses. As the retail heart of Newcastle and Lake Macquarie, Charlestown is centrally located. Property is all about location and this site is strategically bordering the Pacific Highway, an arterial road in and out of Newcastle and Sydney, its connectivity and ease is evident. Charlestown is conveniently positioned just 15 minutes' drive to Newcastle, 8 minutes to the shores of Lake Macquarie and 1.5 hours from Sydney.

A striking development of eight townhouses in walking distance to CBD of Charlestown and Charlestown Square. Featuring a sharp design to showcase the available views from the upstairs living spaces, this development also features modern open plan living.



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PROPERTY: 10 Faucett St Blackalls Park

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DEVELOPMENT PROFILE

A 2,700m<sup>2</sup> site with development approval granted to construct a mix of 15 townhouses. Blackalls Park is a secluded hamlet and enjoys a wide range of leisure activities while remaining only a short 5-minute drive to supermarkets, retail stores, banks, post office, workers club and a range of everyday essentials. Surrounded by a wealth of leisure activities, moments from Toronto’s bustling shopping village and providing all the benefits of lakeside living, these stylish townhouses will be instantly appealing to singles, couples, market newcomers and savvy investors.



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PROPERTY: Morgan St Dubbo – stage 1

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DEVELOPMENT PROFILE

An integrated site consisting of 15 blocks dedicated for small lot housing along with a master villa site to house 12 two bedroom villas. Development approval has been granted with demolition and tree removal complete. Currently completing construction certificate and sourcing tenders for civil construction.



Residential Development

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**PROPERTY:**            **38 French Rd Wangi Wangi**

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DEVELOPMENT PROFILE

A boutique site capturing lake views in Wangi Wangi with development approval granted to construct 5 apartments adjoining the village centre. This lake side retreat is a well-known holiday spot, known for its beautiful lake views, bush-walking, and fishing while resting only minutes from Toronto CBD that presents an array of cafes, restaurants, supermarkets and every day services.



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**PROPERTY:**            **124 The Boulevard Toronto**

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DEVELOPMENT PROFILE

A small boutique development within walking distance of local shops, cafes and lakes edge in Toronto, featuring six 3 bedroom dwellings which has been approved by the local council.



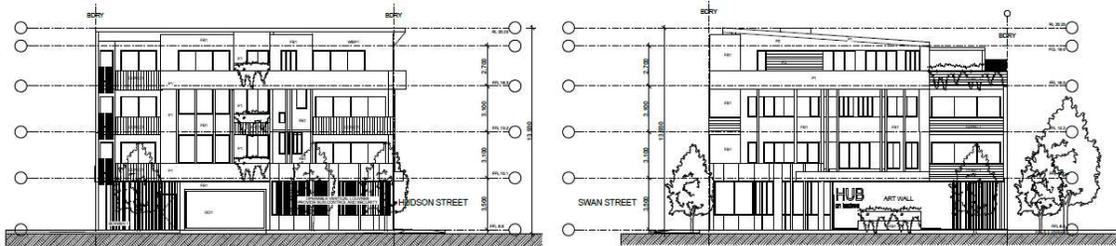
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PROPERTY: 5-7 Swan St Hamilton

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DEVELOPMENT PROFILE

A small boutique development within walking distance of the local shops, cafes and entertainment of inner city Hamilton. Featuring eight apartments over three levels, with ground floor parking is set to provide options purchasers seeking a small complex in an A1 position.



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PROPERTY: Waratah Golf Club – Joint Venture

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The proposal includes the re-zoning, which will create a staged development of up to 90 townhouses, with profits to be split between the development fund and the golf club. The benefit of this project is the ability to generate development profits without the need to fund the initial purchase of land at considerable expense. Our profits are generated on little capital expenditure with the Golf Club only receiving their land contribution at the completion of each build stage (proceeds of sale).



