The Calfer Property Fund
ARSN 628 011 325

ASIC RG46 Disclosure

As at 31 March 2020

ASIC Regulatory Guide 46 Disclosure

The Australian Securities & Investments Commission (**ASIC**) requires responsible entities of unlisted property schemes in which retail investors invest to provide a statement addressing ASIC's six benchmarks and eight disclosure principles as set out in Regulatory Guide 46: Unlisted Property Schemes – improving disclosure for retail investors (**RG46**).

The disclosure aims to help retail investors compare risks, assess the rewards being offered and decide whether the investments are suitable to them. Vasco Trustees Limited (**Vasco**), as responsible entity (**RE**) of The Calfer Property Fund (**Fund)**, presents the six benchmarks and eight disclosure principles in relation to the Fund in this document.

In accordance with the requirements of RG46, this statement will be updated for any material changes that the RE becomes aware of, and in any event, at least every six months as at 31 March and 30 September each year. The updated statement will be included on the RE's website www.vascofm.com.

If you need help about investing generally, speak to a licensed financial adviser. The Australian Securities and Investments Commission ("ASIC") can help you check if a financial adviser is licensed.

If you do not have an adviser, contact us and we can put you in touch with someone who can help. If you have questions about this Fund in particular, speak to your Adviser or call Vasco on +61 3 8352 7120 directly for more information.

Disclosure principles and Benchmarks

Benchmark 1: Gearing Policy

RG 46.31 – The RE maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.

Yes - The Responsible Entity meets the benchmark

The Responsible Entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.

A scheme's gearing ratio indicates the extent to which a scheme's assets are funded by external liabilities. It gives an indication of the potential risks the scheme faces in terms of its level of borrowings due to, for example, an increase in interest rates or a reduction in property values. The higher the gearing ratio, the higher the risk. A lower gearing ratio allows for a higher movement in interest rates and reduction in property values without causing there to be negative equity in the underlying assets of the scheme. For example, a gearing ratio of 100% would mean any upward movement of interest rates or reduction in property values would result in negative equity. On the other hand, a gearing ratio of 80% would allow for a combined upward movement of interest rates or reduction in property values of up to 20% of the current value of the assets.

The gearing ratio is calculated in accordance with the following formula:

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

The liabilities and assets used to calculate the gearing ratio will be based on the scheme's latest financial statements. If unit holder' contributions (other than borrowings from unit holders) are classified as liabilities in the financial statements, they are excluded from liabilities in calculating the gearing ratio.

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

Benchmark 2: Interest Cover Policy

RG 46.36 – The RE maintains and complies with a written policy that governs the level of interest cover (ICR) at an individual credit facility level.

Yes - The Responsible Entity meets the benchmark

The Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level. Interest cover ratio indicates the Fund's ability to meet interest payments from earnings.

The Fund's interest cover ratio is calculated using the following formula and based on the latest financial statements:

$$\text{Interest cover ratio (ICR)} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

where EBITDA = earnings before interest, tax, depreciation and amortisation.

The interest cover ratio measures the ability of the Fund to service interest on debt from earnings. It is therefore, a critical indication of the Fund's financial health and key to analysing the sustainability and risks associated with the Fund's level of borrowing. The higher the interest cover the lesser the risk to unit holders. This is because there is a greater amount of cash available from returns to cover increases in interest rates and decreases in returns.

Benchmark 3: Interest Capitalisation

> *RG 46.41 – The interest expense of the scheme is not capitalised.*

Yes - The Responsible Entity meets the benchmark

The Responsible Entity complies with this benchmark. The interest expenses of the Fund are not capitalised.

Benchmark 4: Valuation Policy

> *RG 46.45 – The RE maintains and complies with a written valuation policy that conforms to ASIC's requirements at RG 46.45, or must explain why they do not.*

Yes - The Responsible Entity meets the benchmark

The RE maintains and complies with a written valuation policy for the Fund that meets the specific requirements of RG46. The Valuation Policy is reviewed at least once every three years or as market circumstances dictate. This policy may change from time to time.

See the RE's Valuation Policy on its website at www.vascofm.com.

Benchmark 5: Related Party Transactions

> *RG 46.53 – The RE maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.*

Yes - The Responsible Entity meets the benchmark

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.

The Responsible Entity will not enter into related party transactions unless it complies with the provisions of Chapter 2E as amended by Chapter 5C.7 of the Corporations Act and ASIC regulatory guide RG76.

Benchmark 6: Distribution Practices

> *RG 46.58 – The Fund will only pay distributions from its cash from operations (excluding borrowings) available for distributions.*

Yes - The Responsible Entity meets the benchmark

The Responsible Entity will only pay distributions from its cash from operations (excluding borrowings) available for distribution.

Disclosure Principle 1: Gearing Ratio

> *RG 46.62 – The RE should disclose the Fund's gearing ratio as calculated in accordance with the prescribed formula.*
>
> *RG 46.63 – The liabilities and assets used to calculate the gearing ratio should be based on the scheme's latest financial statements.*

RG 46.64 – If the scheme has material off-balance-sheet financing, the RE should disclose a 'look through' gearing ratio that takes into account such financing.

RG 46.65 – The RE should explain what the gearing ratio means in practical terms, and how investors can use the ratio to determine the Fund's level of risk.

The Fund's gearing policy is set out in Disclosure Benchmark 2 above.

The Fund's gearing ratio under its investment strategy is that borrowings will be limited to a maximum of 60% of the value of the Assets.

Although the Fund does not have any borrowings, the Calfer Property Trust in which the Fund is 100% invested has a number of loans with a ratio of up to 79% of the value of the Assets (inclusive of related party loans) and 68% of the value of the Assets (exclusive of related party loans).

Disclosure Principle 2: Interest Cover Ratio

RG 46.71 – The RE should disclose the Fund's interest cover ratio calculated in accordance with prescribed formula.

RG 46.72 –The EBITDA and interest expense figures used to calculate the interest cover ratio should be consistent with those disclosed in the scheme's latest financial statements.

RG 46.74 – The RE should explain how investors can use the interest cover ratio to assess the Fund's ability to meet its interest payments.

The Fund's interest cover policy is set out in Disclosure Benchmark 2 above.

The Fund's investment strategy is to limit interest cover ratio to 2.

As at 31 March 2020, this is satisfied as the Fund has no borrowings.

As at 31 March 2020, the interest cover ratio for the Calfer Property Trust in which the Fund is 100% invested was 3.9.

Disclosure Principle 3: Scheme Borrowing

RG 46.78 – If a scheme has borrowed funds (whether on or off balance sheet) the RE should clearly and prominently disclose:

- *for each borrowing that will mature in five years or less – the aggregate amount owing and the maturity profile in increments of not more than 12 months;*
- *for borrowings that will mature in more than five years – the aggregate amount owing;*
- *the amount (expressed as a percentage) by which either the operating cash flow or the value asset(s) used as a security for the facility must fall before the scheme will breach any covenants in any credit facility;*
- *for each credit facility;*
  - *i. the aggregate undrawn amount;*
  - *ii. the assets to which the facility relates;*
  - *iii. the loan to-valuation and interest cover covenants under the terms of the facility;*
  - *iv. the interest rate of the facility; and*
  - *v. whether the facility is hedged;*
- *details of any terms within the facility that may be invoked as a result of scheme members exercising their rights under the constitution of the scheme;*
- *the fact that amounts owing to lender and other creditors of the scheme rank before investor's interests in the scheme.*

RG 46.79 – If any of the Fund's borrowings or credit facilities are to mature within the next 12 months, the RE should make appropriate disclosure about the prospects of refinancing; or possible alternative actions (e.g. sales of assets or further fund raising).

RG 46.80 – The RE should explain any risks associated with the Fund's borrowing maturity profile, including whether borrowings have been hedged and, if so, to what extent.

RG 46.81 – The RE should disclose any information about Fund borrowing and breaches of loan covenants that is reasonably required by investors

As at the date of this document, the Fund currently has no direct borrowings. However, the Calfer Property Trust in which the Fund is 100% invested has a total loan balance of $18,829,918 as at 31 March 2020, which comprises $2,545,000 of related party loans and $16,284,918 of unrelated party loans.

Disclosure Principle 4: Portfolio Diversification

RG 46.87 – The RE should disclose the current composition of the Fund's direct property investment portfolio, including:

- *properties by geographic location, by number and value;*
- *non-development projects by sector (e.g. industrial, commercial, retail and residential) and development projects by number and value;*
- *for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and where applicable, the capitalisation rate adopted in the valuation;*
- *the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and, where applicable, the weighted average lease expiry;*
- *the occupancy rates of the property portfolio;*
- *for the top five tenants that each constitutes 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income; and*
- *the current value of the development and/or construction assets of the scheme as a percentage of the current value of the total assets of the scheme.*

RG 46.88 – Disclosure should cover the responsible entity's investment strategy on these matters, including its strategy on investing in other unlisted property schemes, whether the scheme's current assets conform to the investment strategy and an explanation of any significant variance from this strategy. A responsible entity should also provide a clear description of any significant non-direct property assets of the scheme, including the value of such assets.

The quality of the properties held by an unlisted property scheme, including the quality of leases entered into over those properties, is a key element in the financial position and performance of the scheme. Generally, the more diversified a portfolio, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.

Therefore, the investment strategy of the Fund is to invest in a number of different properties in various locations. However, the properties must meet key investment criteria as set out in section 4 of the PDS.

Property valuations

Motel Name	Motel Address	Current Valuation Source	Date of Bank Valuation (where applicable)	Value
Country Roads Motor Inn, St Arnaud	1 Inglewood Road, St Arnaud VIC	Directors Valuation		580,000
Country Roads Motor Inn, Warracknabeal	197 Henty Highway, Warracknabeal VIC	Directors Valuation		560,000
Country Roads Motor Inn, Orbost	94-96 Salisbury Street, Orbost VIC	Bank Valuation	1/06/2016	685,000
Country Roads Motor Inn, Narrandera	92 Whitton Street, Narrandera NSW	Directors Valuation		640,000
Ayr Travellers Motel	233-235 Queen Street, AYR QLD	Bank Valuation	6/12/2016	1,700,000
Country Ayr Motel	197-199 Queen Street, AYR QLD	Bank Valuation	29/01/2018	1,400,000
Country Roads Motor Inn, Gayndah	56 Capper Street, Gayndah QLD	Directors Valuation		1,300,000
Sun Valley Motel	57-59 Dawson Highway, Biloela QLD	Bank Valuation	20/02/2018	1,580,000
Country Roads Motor In, Dysart	57 Queen Elizabeth Drive, Dysart QLD	Director's valuation FHGC		2,500,000
Alara Motor Inn	52-56 Nebo Road, West Mackay QLD	Director's valuation FHGC		2,150,000
Barrier Reef Motel	River Avenue, Innisfail QLD	Bank Valuation	2/12/2016	2,300,000
Burke & Wills	36 Miles Street, Mt Isa QLD	Directors Valuation		3,300,000
Longreach Motor Inn	82 Galah Street, Longreach QLD	Bank Valuation	4/09/2017	3,875,000
			Total	**22,570,000**

Disclosure Principle 5: Related Party Transactions

RG 46.98 – REs that enter into transactions with related parties should describe related party arrangements relevant to the investment decision. The description should address:

- *(a) the value of the financial benefit;*
- *(b) the nature of the relationship (i.e. the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act or ASX listing rules – for group structures, the nature of these relationships should be disclosed for all group entities);*
- *(c) whether the arrangement is on 'arm's length' terms, is reasonable remuneration, some other exception applies, or relief has been granted;*
- *(d) whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme);*
- *(e) the risks associated with the related party arrangement; and*
- *(f) whether the responsible entity is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangement, and how this is monitored.*

The related party transaction policy is set out Disclosure Benchmark 5 above.

The Responsible Entity has appointed Vasco Fund Services Pty Ltd, a related body corporate, to act as the Fund's Administration Manager pursuant to an administration agreement under which the Administrator provides administration services for the day-to-day operation of the Fund. These services include fund accounting, Unit pricing, reporting, registry services and preparation of statutory accounts.

The Responsible Entity has a policy on proposed or potential related party transactions to ensure that any actual or potential conflicts of interest are identified and appropriately dealt with

Disclosure Principle 6: Distribution Practices

RG 46.102 – If the Fund is making or forecasts making distributions to members, the RE should disclose:

- *(a) the source of the current distribution (e.g. cash from operations available for distributions, or from capital, or from unrealised revaluation gains);*
- *(b) the source of any forecast distribution;*
- *(c) whether the current or forecast distribution are sustainable over the next 12 months;*
- *(d) if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources;*
- *(e) if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and*
- *(f) the impact of, and any risks associated with the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings) available for distribution.*

No forecasts are made as to proposed distributions to be made.

Disclosure Principle 7: Withdrawal Arrangements

RG 46.104 – If investors are given the right to withdraw from the Fund, the RE should disclose a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise. The RE should clearly disclose:

- *(a) whether the constitution of the Fund allows investors to withdraw from the Fund, with a description of the circumstances in which investors can withdraw;*
- *(b) the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors);*

> *(c) any significant risk factors or imitations that may affect the ability of investors to withdraw from the scheme, or the Interest price at which any withdrawal will be made (including risk factors that may affect the ability of the RE to meet a promoted withdrawal period);*
>
> *(d) a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and*
>
> *(e) if withdrawals from the scheme are to be funded from an external liquidity facility, including any rights the provider has to suspend or cancel the facility.*
>
> *RG 46.105 – Any material changes to withdrawal rights (such as if the RE knows that withdrawal requests will be suspended), through ongoing disclosure.*
>
> *RG 46.106 – Responsible entities should also clearly disclose if investors have no withdrawal rights.*

See paragraph 2.6 in the RPDS regarding the withdrawal rights of the fund.

Disclosure Principle 8: Net Tangible Assets

> *RG 46.108 – the responsible entity of a closed-end scheme should clearly disclose the value of the net tangible assets (NTA) of the scheme on a per Interest basis in pre-tax dollars.*
>
> *RG 46.109 – We consider that responsible entities should calculate the NTA of the scheme using the following formula:*
>
> $$NTA = \frac{\text{Net assets} - \text{intangible assets} +/- \text{any other adjustments}}{\text{Number of units in the scheme on issue}}$$
>
> *RG 46.111 – Responsible entities should also explain to investors what the NTA calculation means in practical terms and how investors can use the NTA calculation to determine the scheme's level of risk.*

The NTA in Fund will be calculated through adding the total value of the assets in the Fund and adjusting it for any liabilities (for example accrued but unpaid distributions) and dividing it by the total number of Units in the Fund.

The NTA of the Fund is 0.3713 as at 31 March 2020, where Net assets was $4,107,585and the Number of units on issue were 11,063,028.

COVID-19

The effects of COVID-19 have been felt in various ways across the portfolio given the nature of the underlying assets. Some motels have experienced a significant decrease in occupancy, which in turn will impact future revenue to the Fund.

The impact on the portfolio is still being assessed by the Investment Manager. More information will be provided to investors in due course.

After Disclosure Date Events

As at the publication date, no matters have arisen since 31 March 2020, other than in respect of COVID-19 as disclosed above, which significantly affect or may significantly affect the disclosures found in this document.

Further Information

For further information on the Fund, please contact us on +61 3 8352 7120 or visit our website www.vascofm.com.