23 SEPTEMBER 2019

NOTICE OF MEETING OF SECURITYHOLDERS OF THE

AUSTRALIAN UNITY RETAIL PROPERTY FUND

ARSN 133 632 765

And of each of the RPF Schemes being:

- **Australian Unity Retail Property Trust ARSN 086 218 199;**
- **Australian Unity Property Syndicate East West ARSN 091 941 061; and**
- **Australian Unity Gillies Street Trust ARSN 103 267 447.**

TO BE HELD AT 9:30am AEDT ON 23 October 2019

AT GROUND FLOOR, 271 SPRING STREET, MELBOURNE, VICTORIA

Your vote is important.

You should read this Notice of Meeting and Explanatory Memorandum in full before deciding whether or not to vote in favour of the Resolutions.

This is an important document and requires your immediate attention. You should read the whole document in its entirety before deciding how to vote.

If you are unable to attend the Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on that form. If you are in any doubt about what action you should take, we recommend you consult a professional or financial adviser.

Issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454 as Responsible Entity of the Australian Unity Retail Property Fund ARSN 133 632 765.

IMPORTANT NOTICE

This document:

- is issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454 (AUFML) in its capacity as Responsible Entity of the Australian Unity Retail Property Fund ARSN 133 632 765 (Fund); and
- comprises of a Notice of Meeting and accompanying Explanatory Memorandum.

PURPOSE OF THIS EXPLANATORY MEMORANDUM

The Explanatory Memorandum provides you with information about each of the Resolutions contained in the Notice of Meeting and the steps for implementing the proposal to issue you (unless you are a Foreign Investor) with Units in the Australian Unity Diversified Property Fund (DPF) in exchange for your Securities in the Australian Unity Retail Property Fund (Proposal).

AUFML recommends that you read this document in full and promptly obtain professional or financial advice from a licensed financial adviser before determining how to exercise your vote on each of the proposed Resolutions set out in the Notice of Meeting.

This Explanatory Memorandum provides information about objectives of the Proposal, the benefits and risks to the Securityholders in the Fund and information about DPF. The Explanatory Memorandum is accompanied by a Product Disclosure Statement (PDS) and Supplementary PDS which has been prepared by the Responsible Entity of DPF, Australian Unity Property Limited (AUPL), to provide information to Securityholders about DPF including information about the assets in which DPF is invested, the rights attaching to Units in DPF and the benefits and risks of investing in DPF.

The Explanatory Memorandum also contains an Independent Expert's Report provided by Deloitte Corporate Finance Pty Limited (a network member firm of Deloitte Touche Tohmatsu Limited).

Accompanying this Explanatory Memorandum are a:

1. Proxy Form
2. PDS and Supplementary PDS
3. Withdrawal Facility Booklet
4. Meeting RSVP Form; and
5. Reply Paid Envelope.

FORWARD LOOKING STATEMENTS

In this Explanatory Memorandum, information concerning the Fund and the intentions, views and opinions of AUFML and/or its directors has been prepared by AUFML and its directors and is the responsibility of AUFML as Responsible Entity.

The Explanatory Memorandum contains both historical information and forward looking statements which are made as at its date.

The statements contained in this Explanatory Memorandum about the options considered by AUFML, the merits of the Proposal, the impact that the Resolutions may have on the Fund's operations, and the advantages and disadvantages expected to result from the voting upon the Resolutions, should be treated as forward looking statements. In addition, those statements that describe the objectives or expectations for the Fund may be deemed to be forward looking statements.

All forward looking statements in this Explanatory Memorandum reflect the reasonably held and current expectations of AUFML and its directors concerning future results and events as at the date of this Explanatory Memorandum.

Forward looking statements involve subjective judgment and analysis and are subject to uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, AUFML (and its officers, employees, agents or associates). Unforeseen or unpredictable events and various risks could affect future results of the Fund or DPF following implementation of the Proposal set out in this Explanatory Memorandum, causing results to differ from those which are expressed, implied or projected in any forward looking statements. They are provided for information purposes only in order to assist Securityholders make decisions as to voting upon the Resolutions set out in the Notice of Meeting.

Given these uncertainties, you are cautioned not to place undue reliance on such forward looking statements.

DISCLAIMER

The information in this Explanatory Memorandum does not take into account your investment objectives, financial situation, tax position or needs. It is important that you read the Explanatory Memorandum and the DPF PDS and Supplementary PDS before making any voting or investment decision. In particular, it is important that you consider the risks relating to the Proposal (see Section 6 of this Explanatory Memorandum) and the risks of investing in DPF (see the risk section of the DPF PDS and Supplementary PDS). You should carefully consider the risk factors in light of your investment objectives, financial situation, tax position and individual needs.

The historical information in this Explanatory Memorandum includes, or is based upon, information that has previously been made available, and should be read in conjunction with the Fund's other periodic and continuing disclosure announcements, including the Fund's full year audited financial results for the period ended 30 June 2019. The audited financial results for the year ended 30 June 2019 will be available from our website, australianunity.com.au/wealth/rpf on or about 30 September 2019, or by calling the Investor Services team on 13 29 39 (local call free within Australia) or +61 3 8682 7000 (outside Australia) for a printed copy.

In assessing any historical information about the Fund or DPF, you should be aware that past performance is no indication of future performance.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinion or conclusion contained in this Explanatory Memorandum. To the maximum extent permitted by law, neither AUFML nor any of its directors, officers, employees, agents or advisers accepts any liability for any loss arising from the use of this Explanatory Memorandum or its contents or otherwise arising in connection with it.

The information in this Explanatory Memorandum remains subject to change. AUFML may vary the timetable for implementing the Resolutions. We will notify you of any material changes in relation to this Explanatory Memorandum on our website at australianunity.com.au/wealth/rpf.

The information in this Explanatory Memorandum is current as at 23 September 2019 unless otherwise stated.

DEFINED TERMS

Capitalised terms used in this document have the meaning given to them in the Glossary, as set out in Section 16 of this Explanatory Memorandum.

TIME

Unless stated otherwise, all references to time are to Australian Eastern Daylight Time (AEDT).

PRIVACY

AUFML may collect personal information in the process of implementing the Proposal. Such information may include the names, contact details and Security holdings of Securityholders and the names of persons appointed to act as a proxy, corporate representative or attorney at the Meeting.

The primary purpose of the collection of personal information is to assist AUFML to conduct the Meeting and implement the Proposal. Personal information of the type described above may be disclosed to the print and mail service providers, authorised securities brokers and related bodies corporate of AUFML. Securityholders have a right to access their personal information and should contact AUFML if they wish to access their personal information. Securityholders who appoint a named person to act as their proxy, corporate representative or attorney should ensure they inform that person of these matters.

For further information on our privacy policy, please visit our website australianunity.com.au/wealth or call us on 13 29 39.

CURRENCY AND FINANCIAL DATA

All amounts expressed in this Explanatory Memorandum are in Australian dollars unless stated otherwise, and financial data is presented as at the date stated.

Rounding of the figures provided in this document may result in some discrepancies between the sum of components and the totals outlined within this document including in the tables and percentage calculations.

All fees and charges are shown GST inclusive less any input tax credits that the Fund may be entitled to claim. This includes the Base Management Fee, recoverable expenses and performance fee of the Fund and DPF.

Where applicable, the Transaction Costs relating to the mergers are shown inclusive of GST less estimate of reduced input tax credits that the Fund or DPF may be entitled to claim.

ADDITIONAL INFORMATION

If after reading this Explanatory Memorandum you have any further questions please contact your financial adviser or Australian Unity on 13 29 39 or investments@australianunity.com.au.

Contents

Dear Securityholder,

On behalf of the Board of Directors of Australian Unity Funds Management Limited (AUFML), as Responsible Entity for the Australian Unity Retail Property Fund (Fund), it is my pleasure to provide you with a Proposal to issue you (unless you are a Foreign Investor) Units in the Australian Unity Diversified Property Fund (DPF) in exchange for your Securities in the Fund.

If the Proposal proceeds, DPF is expected to be a $537 million diversified property fund comprising ten commercial properties located in various Australian cities and major metropolitan or regional centres.

The Proposal offers Investors (other than Foreign Investors) a number of benefits which include:

1. Greater diversification;
2. Increased capacity to raise capital;
3. Enhanced distribution yield;
4. Access to a larger development pipeline; and
5. Greater on-going absolute liquidity.

AUFML has explored a number of alternatives to the Proposal. A summary of the options considered is set out in Section 4 of the Explanatory Memorandum.

For the Proposal to proceed:

1. Securityholders in the Fund must approve the Resolutions set out in the Notice of Meeting and Explanatory Memorandum;
2. Unitholders in DPF must approve the Resolutions set out in a separate notice of meeting and explanatory memorandum; and
3. the Merged DPF Refinances its debt facility.

As all Securityholders, after processing the Withdrawal Facility, will be exiting their investment in the Fund and receiving Units in DPF when the Proposal is implemented, we are seeking to finalise all fee arrangements in the Fund as at the date prior to implementing the Proposal. This includes the calculation and payment, if applicable, of the current performance fee (if any) in the Fund, calculated as at the date immediately prior to implementing the Proposal.

The risks of the Proposal are set out in more detail in Section 6 of the Explanatory Memorandum.

Securityholders should also be aware that Transaction Costs incurred as part of the Proposal will be paid from the assets of the Fund and DPF, reducing the NTA per Unit in the merged DPF (noting that Securityholders will receive Units in DPF if the Proposal proceeds) by approximately 0.6%. This is set out in more detail in Section 5 of the Explanatory Memorandum.

Securityholders should also be aware that if the Proposal does not proceed there will be Transaction Costs which have already been incurred in connection with the development of the Proposal which will be paid from the assets of the Fund. The expected effect of those costs is a reduction of 0.2% of the NTA per Security.

CGT rollover should apply to the Fund if certain conditions are met as set out in Section 14 of the Explanatory Memorandum.

The AUFML Board recommends that Investors vote in favour of each of the Resolutions.

This document requires your immediate attention and action.

The voting thresholds required to pass the Resolutions are high and therefore your vote is critical to the outcome of the Proposal.

We urge all Securityholders to register a vote, either in person or by proxy.

You should read all documentation carefully including the Independent Expert's Report at Section 15 of the Explanatory Memorandum. The Independent Expert has found the Proposal to be fair and reasonable to, and therefore in the best interests of Securityholders.

Please ensure you complete the attached Proxy Form (or attend the Meeting in person) as well as the Capped Withdrawal Facility Booklet if you wish to reduce or exit your investment.

The Proposal will only proceed and the increased Withdrawal Facility will only be available if all Resolutions of the Fund and DPF are passed and subject to the Merged DPF Refinancing its debt facility.

Interpretation

Capitalised terms in this letter have the meanings given in the Glossary set out in Section 16 of the Explanatory Memorandum.

If you have any queries, please contact your financial adviser or Australian Unity on 13 29 39.

Yours sincerely,

David Bryant
Director - Australian Unity Funds Management Limited

NOTICE OF MEETING

AUFML, as Responsible Entity, gives notice pursuant to section 252A of the Corporations Act that a Meeting of Securityholders of the Fund will be held on:

Date:	**23 October 2019**
Time:	**9:30am AEDT**
At:	**Ground Floor, 271 Spring Street, Melbourne, Victoria 3000.**
	Registration for the purposes of attending and voting at the Meeting will commence on that day from 9:00am AEDT.

CHAIR OF THE MEETING

In accordance with section 252S(1) of the Corporations Act, AUFML proposes to appoint Mr David Bryant to act as the Chair of the Meeting. If Mr Bryant cannot attend, AUFML will appoint another suitable alternative as Chair.

Proxy Form lodgement deadline: 21 October 2019 by 9:30am AEDT (48 hours prior to the Meeting)

Securityholders should read the Explanatory Memorandum dated 23 September 2019 accompanying this Notice of Meeting before voting.

Capitalised terms in this notice have the meanings given in the Glossary set out in Section 16 of the Explanatory Memorandum.

Additional information concerning the proposed Resolutions is contained in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.

BUSINESS OF THE MEETING

The business of the Meeting will consist of the following resolutions that are subject to the Merged DPF Refinancing:

1) **Resolution A – Approval of the proposal for merging funds**

To consider and, if thought fit, pass the following resolution (**Resolution A**) as an ordinary resolution:

"That, for all purposes, subject to and conditional upon:

(a) Resolution B being passed; and

(b) all resolutions set out in the notice of meeting dated 23 September 2019 being passed at the meeting of Unitholders of the Australian Unity Diversified Property Fund scheduled to be held at 2:30pm AEDT on 23 October 2019,

the Responsible Entity be authorised to do all such acts and things to procure the transfer by all of the members of all of the Securities on issue in the Fund on the Implementation Date in exchange for the issue to them of Units in the Australian Unity Diversified Property Fund at a price equal to the NTA of the Australian Unity Retail Property Fund as at the Implementation Date."

2) **Resolution B – Amendments to the Constitution and provision of a financial benefit to a related party**

To consider and, if thought fit, pass the following resolution (Resolution B) as a special resolution:

"That, for all purposes, subject to and conditional upon:

(a) Resolution A being passed; and

(b) all resolutions set out in the notice of meeting dated 23 September 2019 being passed at a meeting of Unitholders of the Australian Unity Diversified Property Fund scheduled to be held at 2:30pm AEDT on 23 October 2019,

for the purposes of subsection 601GC(1) and section 208 of the Corporations Act 2001 (as amended by section 601LC of the Corporations Act) and all other purposes (including the giving of any financial benefits) the Constitution of the Fund (and each of the Constitutions of the RPF Schemes) shall be amended in the manner set out in the Explanatory Memorandum at Section 8.3 accompanying the Notice of Meeting dated 23 September 2019 and in accordance with the Supplemental Deed tabled at this meeting and signed by the Chair for the purposes of identification and that the Responsible Entity be authorised to execute the Supplemental Deed and lodge it with the Australian Securities & Investments Commission."

QUORUM REQUIREMENTS

The Constitution of the Fund (and the Constitutions of each of the RPF Schemes) provides that the quorum requirement for a Meeting of Securityholders is two (2) Securityholders present in person, by proxy, or by representative. If a quorum is not present within 30 minutes from the time appointed for the Meeting, the Meeting must be adjourned as the Chair of the meeting directs. If a Securityholder has appointed more than one proxy or representative, only one of these may be counted towards the quorum requirements.

BACKGROUND INFORMATION

To enable you to make an informed decision on each of the Resolutions, the Explanatory Memorandum provides more information about each of the Resolutions set out above, including the Proposal.

If you have any questions, please contact Australian Unity on 13 29 39 between 8.30am and 5.30pm (AEDT) on business days.

The Returning Officer: The Responsible Entity has appointed Computershare Investor Services Pty Limited to act as the Returning Officer for this Meeting.

VOTING

ENTITLEMENT TO VOTE

Securityholders who are registered in the Register of the Fund as at 9:30am (AEDT) on 23 October 2019 will be eligible to attend and vote at the Meeting, either in person or by proxy.

VOTING EXCLUSIONS

Section 253E of the Corporations Act provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolutions if they have an interest in the resolution other than as a member.

In accordance with section 253E of the Corporations Act, AUFML and its associates are not entitled to vote on the Resolutions if they have an interest in the Resolution other than as a member of RPF.

HOW TO VOTE

You can vote in either of two ways:

- by attending the Meeting and voting in person or, if you are a corporate holder, by a corporate representative attending and voting for you; or
- by completing the attached Proxy Form, under which you can either appoint the Chair of the Meeting as your proxy to vote on your behalf, or someone else of your choosing to attend and vote as your proxy. If you appoint a proxy, you can choose the manner in which the proxy should vote, or leave it open to the appointed proxy to make that decision.

REQUIRED MAJORITIES

Voting on:

- Resolution A is required to be decided by an ordinary resolution which requires that the resolution is passed by at least 50% of the votes cast by Securityholders entitled to vote on the resolution; and
- Resolution B is required to be decided by a special resolution which requires that the resolution is passed by at least 75% of the votes cast by Securityholders entitled to vote on the resolution.

The Resolutions are inter-dependent and will only be effective if:

(a) all Resolutions are passed by the requisite majorities;

(b) all resolutions are passed at a meeting of Unitholders of the Australian Unity Diversified Property Fund scheduled to be held at 2:30pm AEDT on 23 October 2019; and

(c) the Merged DPF Refinances.

VOTING AT THE MEETING

If you plan to attend the Meeting, ensure that you arrive at the venue before the time that registration commences, so that your attendance can be registered. If you attend the Meeting as a proxy, please bring your proxy form with you (or a copy if you have already posted the original).

VOTING BY POLL

All Resolutions will be decided by way of poll.

On a poll, each Securityholder has one vote for each dollar of the value of the total interests held by the Securityholder in the Fund, which will be calculated by reference to the net tangible assets per Security multiplied by the number of Securities held.

You are not required to exercise all your votes in the same way, or cast all of your votes.

VOTING BY JOINT HOLDERS

If your Securities are held jointly, only one of the joint Securityholders is entitled to vote at the Meeting. If both joint Securityholders vote, only the vote of the person named first in the Register counts.

VOTING BY CORPORATIONS

In order to vote at the Meeting, a Securityholder that is a corporation may appoint a person to act as its representative. This will also apply where you appoint a body corporate as your proxy. The appointment must comply with section 253B of the Corporations Act. A letter of representation must be lodged with AUFML prior to the commencement of the Meeting, or the representative must bring evidence of the appointment to the Meeting (including any authority under which it is signed). Proof of identity will also be required. A corporation that is a Securityholder may appoint a proxy.

VOTING BY PROXY

If you are not able to attend and vote at the Meeting, you may appoint a maximum of two persons as proxies to vote on your behalf. If two proxies are appointed, each proxy may be appointed to exercise a specific number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes.

A proxy does not have to be a Securityholder in the Fund. You may appoint a body corporate or an individual (including the Chair of the Meeting to be your proxy).

If you appoint the Chair of the Meeting as your proxy, and you do not provide any direction on how to vote on the Proxy Form, you will be taken to have expressly authorised the Chair of the Meeting to exercise your proxy.

The Chair of the Meeting intends to vote undirected proxies in favour of all Resolutions.

A body corporate appointed as a Securityholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Securityholder's proxy.

A Proxy Form is enclosed. The instructions on the Proxy Form tell you what you need to do to lodge a valid proxy. The Proxy Form, together with the original of any authority, or power of attorney, under which the Proxy Form is executed or a notionally certified copy of the same, must be received no later than 9:30am AEDT on 21 October 2019. The Proxy Form can be returned:

(a) by posting it in the reply paid envelope provided;
(b) by faxing it to Computershare at: +61 3 9473 2145 (unless the Proxy Form is executed under any authority, in which case the original or a certified copy of that authority must be returned by posting it in the reply paid envelope provided, or delivering it in person);
(c) by emailing it to Computershare at: votingservices@computershare.com.au (unless the Proxy Form is executed under any authority, in which case the original or a certified copy of that authority must be returned by posting it in the reply paid envelope provided, or delivering it in person); or
(d) in person at Computershare at 452 Johnston Street, Abbotsford VIC 3067.

If the Proxy Form is not received by the time specified, it will be disregarded for the purpose of the voting on the Resolutions.

By order of the Board of Australian Unity Funds Management Limited as Responsible Entity of the Australian Unity Retail Property Fund.

Company Secretary
Melinda Honig

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Securityholders in the Fund with the necessary information in relation to each of the Resolutions set out in the Notice of Meeting. The Meeting has been scheduled for 23 October 2019. This Explanatory Memorandum explains the background, rationale, advantages and disadvantages of each Resolution.

Please refer to the Glossary in Section 16 for the meanings of any capitalised terms.

1. QUESTIONS AND ANSWERS

Question	Answer	Where to find more information
DETAILS OF THE PROPOSAL		
What is the Proposal?	The Proposal is to: • merge the Fund with the Australian Unity Diversified Property Fund (DPF), whereby DPF will acquire all Securities on issue in the Fund, based on the NTA of the Fund as at the Implementation Date; and • subject to the merger proceeding, provide a once-off increase to the October 2019 Withdrawal Facility such that the Withdrawal Facility is $64 million.	Section 2, 4.4, 5, 7 & 8
What are my choices?	You have two decisions to make: 1) vote either for, or against, each of the Resolutions at the Meeting (or do nothing). **The AUFML Board recommends that Investors vote in favour of each Resolution.** 2) consider participating in the Withdrawal Facility. The amount made available under the Withdrawal Facility is: • $64 million if the Proposal proceeds, representing a once-off increase to the Withdrawal Facility; or • approximately $1.92 million if the Proposal does not proceed, reflecting the existing terms and conditions of the Withdrawal Facility as described in the Fund's Withdrawal Facility Booklet. If the following Conditions are met, the Proposal will be implemented irrespective of how you vote: 1) Securityholders of the Fund approve the Resolutions set out in the Notice of Meeting and Explanatory Memorandum; 2) Unitholders of DPF approve the resolutions set out in a separate notice of meeting and explanatory memorandum; and 3) the Merged DPF Refinances.	Section 2, 4.4, 8 & 10
Will I have to pay brokerage or stamp duty if the Proposal proceeds?	Securityholders will not incur any brokerage or stamp duty directly by transferring all of the Securities on issue in the Fund to DPF as part of the merger. However, Transaction Costs including stamp duty, legal and refinancing costs incurred as part of the Proposal will reduce the merged DPF's NTA per Unit by approximately 0.65%. As the Fund's Securities will be exchanged for DPF Units before DPF incurs stamp duty and refinancing costs, existing Investors in the Fund and DPF will effectively share these Transaction Costs. After the Implementation Date, you may incur a sell spread if you redeem your Units in DPF's regular quarterly Capped Withdrawal Facility. The sell spread in DPF is currently the same as the Fund at 0.5%.	Section 5 and 14.5

Question	Answer	Where to find more information
Will I still have Securities in the Fund if the Proposal proceeds?	You will no longer hold Securities in the Fund. Unless your Securities have been redeemed for cash before the merger proceeds, you will hold Units in DPF. You should read the PDS and Supplementary PDS which have been prepared by AUPL, the Responsible Entity of DPF, and accompany this Explanatory Memorandum.	
What is the rationale for the Proposal?	The objectives of the Proposal for Securityholders in the Fund are: 1) **Greater diversification.** Securityholders will gain exposure through DPF to a portfolio of ten assets, providing greater overall diversification including an exposure across other property sectors such as office and industrial properties, and geographic locations. 2) **Increased capacity to raise capital.** Given the greater size and diversification within DPF, coupled with DPF's key metrics, DPF will have a higher likelihood of raising equity to reinvest back into assets, fund its potential developments, acquire additional assets or provide further liquidity opportunities for investors in DPF (noting that Securityholders will receive Units in DPF if the Proposal is successful). 3) **Enhanced distribution yield.** Securityholders will receive Units in DPF which are forecast to provide a higher distribution yield than their current investment in the Fund (see Section 12 for the forecast assumptions and Section 6 relating to risks of the forecast distribution yield). 4) **Provide access to a larger development pipeline.** Like the Fund's proposed development at North Blackburn Shopping Centre, DPF also has a number of development opportunities which aim to enhance both DPF's income and growth returns over the medium term. 5) **Provide a once-off increase to the Withdrawal Facility.** As part of the Proposal and subject to all Resolutions being passed by Securityholders in the Fund, similar resolutions being passed by Unitholders in DPF and subject to DPF obtaining adequate financing, the Fund will make a once-off increase to the October 2019 Withdrawal Facility to $64 million which aims to allow Securityholders, at their election, to reduce or exit their investment in the Fund prior to the implementation of the Proposal. The terms of the Withdrawal Facility are further explained in Section 7 and are also set out in the Withdrawal Facility Booklet. 6) **Greater on-going absolute liquidity.** After the merger is implemented, Securityholders will own Units in DPF. DPF is expected to maintain its Capped Withdrawal Facility at 2.5% of merged DPF's net tangible asset value each quarter. This compares to annual liquidity in the Fund of 1.25% of the Fund's NTA value each quarter. Overall, AUFML considers that the Proposal offers benefits to Securityholders.	Section 2.1, 4.4, 5, 6, 7, 11.7 & 12

Question	Answer	Where to find more information
What alternatives to the Proposal has AUFML considered?	AUFML has explored a number of options. Other alternatives explored include: • **listing each fund**, or the merged DPF, on the ASX. In the listed market, and particularly for a small cap fund, property security fund managers (and potential underwriters) are typically more attracted to a single sector fund with approximately 30% gearing and a distribution yield of at least 7%. (The forecast distribution yield for the merged DPF is 6.1%-6.5%, while the forecast distribution yield for the Fund is 3.5%-3.9% for Wholesale Securities and 3.0%-3.4% for Retail Securities for the year to 30 June 2020. The distribution return range is based on a number of assumptions and estimates which are set out in Section 12 of this EM); • **raising equity at a discount** to the NTA which would dilute the current value for existing Securityholders and, given the amount required to fund withdrawal requests, may take an extended period of time and carries execution risk; • **maintaining the status quo** of a lower distribution yield, and lower diversification and scale which may impact the risk profile of the Fund. In the short-term, the proposed development at the North Blackburn Shopping Centre may detract from the objective relating to steady income; and • **selling all assets and winding up the Fund**. Based on the history of withdrawals over the last two years, most Securityholders in the Fund wish to maintain their investment and a sale of all assets would not be in the interests of the majority of Securityholders.	Section 4 & 12
How does the AUFML Board recommend you vote?	The AUFML Board recommends that you vote in favour of all Resolutions required to implement the Proposal.	Section 8 & 11.7
What are the main disadvantages and risks of the Proposal for Securityholders?	• The WALE of the merged DPF will be lower than that of the Fund. This means that the certainty of income for DPF over time may be less than that of the Fund. • The merged DPF will provide exposure to Western Australia which is currently experiencing lower economic growth than the eastern seaboard of Australia. However, we note the exposure is mainly in convenience based neighbourhood shopping centres with national supermarkets as the major tenants which tend to be more resilient to changes in economic conditions compared with specialised tenants. • While not necessarily a disadvantage, a consideration for Securityholders is that the merged DPF's strategy is diversified across office, industrial and retail sectors, and is therefore different to the Fund's strategy to hold retail assets. • If the Proposal proceeds, Transaction Costs including stamp duty, legal and refinancing costs incurred as part of the Proposal will reduce the merged DPF's NTA per Unit by approximately 0.65%. • If the Proposal proceeds, DPF will charge an acquisition fee of 1% of the purchase price of real property assets (not applied to the merger), compared to the Fund which does not charge an acquisition fee.	Section 5 & 6

Question	Answer	Where to find more information
What are the Transaction Costs if the Proposal proceeds?	A number of costs will be paid from the assets of the Fund or DPF as part of the Proposal. Some Transaction Costs will be incurred and/or paid by the Fund prior to the Implementation Date. These include legal, accounting and other advisory services in developing the Proposal, totalling approximately $0.3 million. These Transaction Costs will reduce the Fund's NTA per Security by approximately 0.2%. On the Implementation Date, DPF will incur stamp duty on the acquisition of all Securities in the Fund and refinancing costs totalling approximately $1.2 million. This will reduce DPF's NTA per Unit by approximately 0.4%. As the Fund's Securities will be exchanged for DPF Units before DPF incurs stamp duty and refinancing costs, existing investors in the Fund and DPF will effectively share these Transaction Costs.	Section 5
What fees will change if the Proposal proceeds?	If the Proposal proceeds, Securityholders in the Fund will become Unitholders in DPF. DPF's Base Management Fee is lower than the Base Management Fee of the Fund. The Base Management Fee on a gross asset basis, will reduce from 0.93% pa for Retail Securities and 0.75% pa for Wholesale Securities to a flat fee of 0.65% pa of DPF's gross asset value. The Fund does not charge an acquisition fee for the purchase of new direct property. If the Proposal proceeds, DPF will charge an acquisition fee of 1.00% (plus GST) of the purchase price of any real property asset after the Implementation Date. The Fund charges a responsible entity removal/retirement fee of 1.00% (plus GST) of the gross asset value of the Fund. If the Proposal proceeds DPF will charge the same fee and amount. Both the Fund and DPF charge a performance fee. DPF's performance fee structure is more fully described in the accompanying PDS and Supplementary PDS relating to an investment in DPF. If the Proposal proceeds, we will finalise all fee arrangements in the Fund as at the date of implementing the Proposal, including the Fund's performance fee. If the Fund has met the relevant performance criteria, the performance fee will be calculated as at the day prior to the Implementation Date and will be crystallised and paid from the assets of the Fund to AUFML, prior to the implementation of the merger. Performance fees (if any) have already been accrued in the Fund's accounts and are reflected in the Fund's Security price. The changes to the Constitution proposed by Resolution B necessary to affect the final performance fee are more fully described at Section 8.2 of this EM.	Section 5.2 & 8.2

Question	Answer	Where to find more information
What happens if the Resolutions are not approved and the Proposal does not proceed?	If the Resolutions are not approved by Securityholders including those of DPF: • the Fund will continue to operate as an unlisted registered managed investment scheme and Securityholders will continue to hold Securities in the Fund; • the amount made available under the October 2019 Withdrawal Facility will be 1.25% of the net tangible asset value of the Fund, which will be approximately $1.92 million, instead of $64 million if the Proposal proceeds; • the NTA per Unit will reduce by approximately 0.2% as a result of the Fund paying its share of Transaction Costs relating to the development of the Proposal estimated to be $0.3 million; • no stamp duty will be payable as the merger will not proceed; • the performance fee (if any) will not be crystallised or paid to AUFML at the Implementation Date. AUFML is however entitled to receive a performance fee in accordance with the current Constitution provided that the performance fee criteria are met; • AUFML will look to continue to offer the Withdrawal Facility capped at 1.25% of the NTA and will explore, but cannot guarantee, the continual provision of this Withdrawal Facility or other significant liquidity event for Securityholders; • the Fund owns two real property assets reducing any diversification and scale benefits, which impacts the risk profile of the Fund; and • subject to meeting the conditions of the development approval, the Fund will likely commence the development at the North Blackburn Shopping Centre.	Section 2.2 and 8
Why has the October 2019 Withdrawal Facility date changed?	We have brought forward the scheduled 28 October 2019 quarterly Withdrawal Facility to 23 October 2019 to align its timing with the Proposal. If you have submitted a withdrawal request prior to receiving this EM, we will apply the request to the October 2019 Withdrawal Facility. If you wish to change your withdrawal request or make a new request to participate in the October 2019 Withdrawal Facility, you should complete the Withdrawal Facility Booklet which accompanies this EM which will override your prior Withdrawal request. If you wish to cancel your withdrawal request you will need to notify us in writing before 22 October 2019.	Section 7
Do I need to lodge a withdrawal request if I am a Foreign Investor?	Foreign Securityholders Securities will be fully withdrawn if the Proposal proceeds. If you are a Foreign Securityholder then you will not receive Units in DPF. Instead, your Securities in the Fund will be redeemed automatically with effect from the effective date of the October 2019 Withdrawal Facility. The amount you will receive for your Securities in the Fund will be the exit value of your Securities on the effective date of the withdrawal.	Section 7
Who is the Independent Expert and what does it think?	The Independent Expert is Deloitte Corporate Finance Pty Limited. It has found the Proposal to be fair and reasonable to, and therefore in the best interests of Securityholders. The Independent Expert's Report on the merits of the Proposal is set out in Section 15.	Section 15

Question	Answer	Where to find more information
How has Australian Unity managed any perceived conflicts of interest in the Proposal?	Representatives of the Responsible Entity of the Fund and the Responsible Entity DPF established an appropriate governance structure for the Proposal. In summary, the governance structure we have adopted includes: • ensuring directors of the board for each Responsible Entity are not conflicted in reviewing the Proposal and making recommendations to investors to pass resolutions • each board separately engages the Independent Expert to review the Proposal on its behalf; • establishing separate management committees in respect of the Fund (and DPF respectively), each comprised of three different senior managers and executive members with relevant skills and experience, to advise each Responsible Entity and liaise with the Independent Expert; and • implementing information protocols to ensure independent consideration of the Proposal, independent instruction of the Independent Expert, and independent review of the Independent Expert's Reports	Section 11.7
IMPLEMENTATION OF THE PROPOSAL		
What needs to happen for the Proposal to proceed?	The Conditions that need to be fulfilled before the Proposal proceeds, include: 1. Securityholders of the Fund approve the Resolutions set out in the Notice of Meeting and Explanatory Memorandum; 2. Unitholders of DPF must approve the resolutions set out in a separate notice of meeting and explanatory memorandum; and 3. the Merged DPF Refinancing.	Section 11.1
When will withdrawals under the October 2019 Withdrawal Facility be processed?	Your withdrawal under the October 2019 Withdrawal Facility will be processed after the Meeting but prior to the implementation of the merger. You will receive the proceeds of your withdrawal after the implementation of the merger on or around 31 October 2019. If the Proposal proceeds withdrawals will be subject to a cap of $64 million. If this amount is exceeded, withdrawals may be met on a pro-rata basis. If the Proposal does not proceed, the amount made available in the October 2019 Withdrawal Facility will be 1.25% of the NTA value (approximately $1.92 million), reflecting the existing terms and conditions of the Withdrawal Facility as described in the Fund's Withdrawal Facility Booklet.	Section 7
How many Units in the merged DPF will I hold after the Implementation Date?	Once merged, for every one Security you hold in the Fund that is not redeemed under the Withdrawal Facility you are forecast to hold 0.8297 DPF units for every Retail Security (or 1.0255 DPF Units for every Wholesale Security) immediately after the merger is implemented.	Section 5.6

<table>
<tr><th>Question</th><th>Answer</th><th>Where to find more information</th></tr>
<tr><td>Will the merger change the value of my investment?</td><td>
The exchange of Securities in the Fund for DPF Units will be calculated using the respective NTA value per Security and DPF Unit excluding any buy/sell spread as at the Implementation Date. For calculating the net tangible asset value per Security and DPF Unit, the value adopted for the Fund and DPF’s property assets will be based on independent valuations of each property as at 16 October 2019.
We have appointed accredited independent property valuers (Valuer) to provide an independent report valuing all of the real property assets of the Fund and DPF (Valuation Report). The fair market value of each of the assets of the Fund and DPF as determined by the Valuer will be adopted by the Responsible Entity of each of the Fund and DPF. This is consistent with the Direct Property Valuation Policy of the respective Responsible Entities summarised in the DPF PDS dated 18 September 2019 included with this EM and available at australianunity.com.au/wealth/dpf.
The remaining assets and liabilities of the Fund and DPF will be valued at market value as at the Implementation Date.
In addition to the above, separate Independent Expert’s Reports from Deloitte addressed to each of AUFML and AUPL have been prepared in respect of the Proposal and providing, among other things, a view that the Proposal is fair, reasonable, and in the best interests of the members of each of the respective schemes.
Based on our forecast estimates of the respective net tangible asset value per unit of the Fund and DPF, Securityholders in the Fund will be entitled to receive 0.8297 DPF Units (calculated to four decimal places) for every Retail Security (or 1.0255 DPF Units for every Wholesale Security) they own in the Fund (the ‘Exchange Ratio’). Immediately after the merger, there will not be any change in the dollar value of your investment as a direct result of the exchange of Securities for Units. This is because the merger will be based on the respective NTA value per Security and DPF Unit.
Securityholders should note that:

the forecast Exchange Ratio may change as the actual Exchange Ratio will be determined based on the Fund’s and DPF’s NTA as at the Implementation Date; and
the Independent Expert’s approach to estimate the market value of DPF Units received per Security is set out in Section 7 of the Independent Expert’s Report. AUFM’s approach differs to the Independent Expert in that the Exchange Ratio will be set by reference to the relative contribution of net assets by the Fund and DPF as at the Implementation Date. The Independent Expert acknowledges that;

this is common in the property trust sector and
they consider this approach reasonable in these circumstances.

</td><td>Section 5.6</td></tr>
</table>

Question	Answer	Where to find more information
PARTICIPATING IN THE PROPOSAL		
Will I need to make any cash payment to participate in the Proposal?	No. You will provide consideration for the issue to you of Units in DPF by transferring your Securities in the Fund to DPF.	n/a
Can I choose to receive cash instead of maintaining my Units in the merged DPF?	If the Proposal is approved and you hold Securities on the Implementation Date then you will be issued with Units in DPF in exchange for your Securities in the Fund. You may participate in the Withdrawal Facility by completing the Withdrawal Facility Booklet accompanying this EM. By participating in the October 2019 Withdrawal Facility, you may be able to receive cash proceeds from the withdrawal of some or all of your Securities. If the total amount of withdrawal requests exceeds the $64 million made available, then withdrawal requests will be pro-rated. This means that you will continue to hold some Securities in the Fund which will be exchanged for Units in DPF. This does not apply to Foreign Investors, whose Securities will be entirely withdrawn. If the Proposal does not proceed, the amount made available under the Withdrawal Facility will be approximately $1.92 million, reflecting the existing terms and conditions of the Withdrawal Facility as described in the Fund's Withdrawal Facility Booklet.	Section 7
When will I be paid if I elect to participate in the Withdrawal Offer?	Securityholders who elect to participate in the Withdrawal Facility are scheduled to receive payment on or around 31 October 2019.	Section 7 & 9
Will tax consequences arise from implementing the Proposal?	The Proposal may give rise to Australian taxation consequences for Securityholders. A summary of the general tax consequences is set out in Section 14. Each Securityholder's tax position is different and Securityholders are urged to consult their own tax advisers as to the specific tax consequences of the Proposal. Refer to Section 14.2.3 of this EM for more tax information on CGT rollover relief.	Section 14
What if I am a Foreign Investor?	If you are a Foreign Securityholder then you will not receive Units in DPF if the Proposal proceeds. Instead, your Securities in the Fund will be withdrawn automatically with effect from the effective date of the October 2019 Withdrawal Facility. The amount you will receive for your Securities in the Fund will be the exit value of your Securities on the effective date of the withdrawal. A summary of the tax treatment for Foreign Securityholders of participating in the Withdrawal is set out in Section 14. The proceeds of this withdrawal will be paid to you by electronic funds transfer (if details are held by the Registry) or by cheque. Foreign Investors do not need to complete the Withdrawal Facility Booklet because if the Proposal proceeds, they will be withdrawn automatically. Other Securityholders in the Fund will only have the right to withdraw their Securities in the Fund under the terms of the October 2019 Withdrawal Facility.	Section 7 & 14

Question	Answer	Where to find more information
FURTHER INFORMATION		
How can I obtain further information?	You can obtain further information by speaking to your financial adviser or by calling Australian Unity on 13 29 39 from 8:30am until 5:30pm AEDT Monday to Friday.	n/a

2. OBJECTIVE OF THE MEETING AND SUMMARY OF THE RESOLUTIONS

2.1 Objective

AUFML has called a Meeting to allow Securityholders to consider passing two inter-dependent Resolutions which relate to the Proposal. The Proposal is also subject to Unitholders in DPF passing similar resolutions at a meeting scheduled to be held at 2:30pm AEDT on 23 October 2019 and the Merged DPF Refinancing.

The Proposal aims to:

1. **Provide greater diversification.** Securityholders will gain exposure through DPF to a portfolio of ten assets, providing greater overall diversification including an exposure across other property sectors such as office and industrial properties, and geographic sectors.
2. **Increase capacity to raise capital.** Given the greater size and diversification within DPF, coupled with DPF's key metrics, DPF will have a higher likelihood of raising equity to reinvest back into assets, fund its potential developments, acquire additional assets or provide further liquidity opportunities for Unitholders in DPF (noting that Securityholders will receive Units in DPF if the Proposal is successful).
3. **Enhance the distribution yield.** Securityholders will receive Units in DPF which are forecast to provide a higher distribution yield than their current investment in the Fund – see Section 12 for the forecast assumptions and Section 6 relating to risks of the forecast distribution yield.
4. **Provide access to a larger development pipeline**. Like the Fund's proposed development at North Blackburn Shopping Centre, DPF also has a number of development opportunities which aim to enhance both DPF's income and growth returns over the medium term.
5. **Provide a once-off increase to the Withdrawal Facility.** As part of the Proposal and subject to all Resolutions being passed by Securityholders in the Fund, similar resolutions being passed by Unitholders in DPF and subject to the Merged DPF Refinancing, the Fund will make a once-off increase to the October 2019 Withdrawal Facility to $64 million which aims to allow Securityholders, at their election, to reduce or exit their investment in the Fund prior to the implementation of the Proposal. The terms of the Withdrawal Facility are further explained in Section 7 and are also set out in the Withdrawal Facility Booklet which accompanies this Explanatory Memorandum.
6. **Provide greater on-going absolute liquidity.** After the merger is implemented, Securityholders will own Units in DPF. DPF is expected to maintain its regular Capped Withdrawal Facility where 2.5% of DPF's NTA value is generally made available for withdrawal each quarter. This compares to annual liquidity in the Fund of 1.25% of the Fund's NTA each quarter.

The AUFML Board, in accordance with the governance structure set out in section 11.7 of this EM, considers that the Proposal is in the interests of Securityholders and recommends that Securityholders vote for each of the Resolutions at the Meeting.

To implement the Proposal the following Conditions must be met:

(a) all Resolutions must be passed by the requisite majorities;
(b) all Resolutions must be passed at a meeting of Unitholders of DPF scheduled to be held at 2:30pm AEDT on 23 October 2019; and
(c) the Merged DPF Refinancing.

The Resolutions to be considered by Securityholders in the Fund are summarised in the table in Section 2.2 below. Resolution B encompasses a related party transaction which requires Securityholders approval for the purposes of Part 2E of the Corporations Act.

2.2 Summary of the Resolutions

Resolution	Brief description assuming all Resolutions are passed and the Proposal is implemented
A – Approval of the Proposal for merging funds	If this Resolution is passed, AUFML will merge the Fund with the Australian Unity Diversified Property Fund (DPF) by transferring all of the Securityholders' Securities on issue in the Fund on the Implementation Date to DPF in exchange for the issue to Securityholders of Units in DPF at a price equal to the net tangible asset value of the Fund as at the Implementation Date.
B – Amendments to the Constitution and provision of financial benefits to a related party	If this Resolution is passed, the provisions of the Constitution will be changed, so that the Fund can be acquired by the DPF. Other drafting changes that will also be made to the Constitution include provisions to expressly provide for the payment of a final performance fee (if any) as at the Implementation Date which constitutes the provision of a financial benefit to a related party.

If the Resolutions are not approved by Securityholders, including those of DPF:

- the Fund will continue to operate as an unlisted registered managed investment scheme and Securityholders will continue to hold Securities in the Fund;
- the amount made available under the Withdrawal Facility will be 1.25% of the Fund's net tangible asset value, which is expected to be approximately $1.92 million, instead of $64 million;
- the NTA per Security will reduce by approximately 0.2% as a result of the Fund paying its share of Transaction Costs relating to the development of the Proposal estimated to be $0.3 million;
- no stamp duty will be payable as the merger will not proceed;
- the performance fee (if any) will not be crystallised and paid at the Implementation Date but AUFML will continue to accrue and is entitled to collect a performance fee in accordance with the current Constitution where the performance fee criteria are met;
- AUFML will look to continue to offer the Withdrawal Facility capped at 1.25% of the NTA and will explore, but cannot guarantee, the continual provision of the quarterly Withdrawal Facility or other significant liquidity event for Securityholders;
- the Fund holds two real property assets, which limits diversification and scale benefits, and impacts the risk profile of the Fund; and
- subject to meeting the conditions of the development approval, the Fund will likely commence the development at the North Blackburn Shopping Centre.

3. BACKGROUND TO THE PROPOSAL

3.1 The Fund

The Fund is an unlisted retail property fund, with a portfolio of two real property assets and holdings in listed property trusts, collectively valued at $164 million as at 30 June 2019 (excluding Waurn Ponds Shopping Centre which was sold in early July 2019). The real property assets of the Fund have historically been characterised by:

1. **Strong tenant profile** – approximately 70% of the portfolio is leased to tenants (including the tenant's parent entity) with at least an investment grade credit rating or listed on the Australian Securities Exchange (e.g. Caltex and Woolworths)[1];
2. **Good occupancy** – a portfolio occupancy of 87.1%[1];
3. **Strong lease expiry profile** – WALE of 11.1 years[1];
4. **Gearing ratio** – of 6.6% as at 30 June 2019[1]; and
5. **Strong performance** – as at 30 June 2019.

Total Return[2]	1 year	3 years	5 years
Wholesale Securities	10.15%	18.81%	16.56%
Retail Securities	9.90%	18.56%	16.26%

1. Adjusted for the sale of Waurn Ponds and payment of special distribution. Details on how the sale proceeds were applied are in the footnotes to Table 1 in Section 5.6 of the is EM.

2. The Total Return is calculated after fees and expenses and assumes the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

Following the sale of the Waurn Ponds Shopping Centre which was completed in July 2019, the distribution yield is forecast to be 3.5% - 3.9% for Wholesale Securities in the Fund and 3.0% - 3.4% for Retail Securities in the Fund for the year to 30 June 2020. Additionally, as the Fund now has reduced its diversification and scale, its risk profile may increase. In addition, the low forecast distribution yield may inhibit raising further equity in the Fund sufficient to meet future redemption requests and to reinvest into the assets of the Fund.

As a result, we have been exploring options to increase the distribution yield for Securityholders, increase the diversification of assets and increase the likelihood of raising further equity to reinvest back into the assets, fund its potential developments, acquire additional assets, and provide liquidity to Securityholders who elect to exit their investment. A summary of the background to these options is set out below.

Proposed value-add development

The Fund has a demonstrated record of value-add developments, including the development at the Waurn Ponds Shopping Centre. The value of the Waurn Ponds Shopping Centre increased from $59.5 million as at 15 March 2010 to $140 million as at 30 June 2018 for the Fund's 50% interest (at the time), having spent approximately $48 million (the Fund's 50% share) on the extension in 2014. This development provided higher ongoing income and capital growth for Securityholders which, in part, is reflected in the Fund's strong performance over the last five years to 30 June 2019.

Having disposed of its interest in the Waurn Ponds Shopping Centre for $145 million, the Fund is seeking to commence another shopping centre development at the North Blackburn Shopping Centre which is also owned by the Fund. A development application has been granted to extend the North Blackburn Shopping Centre and introduce an additional new national supermarket. This development is expected to cost approximately $60 million and is expected to be completed in three stages over the next 2 years. Further details are set out in the table below (the picture is an artist's impression of the proposed development once complete). Stage 1, is anticipated to commence in late 2019 at an estimated cost of $20 million.

North Blackburn Shopping Centre, VIC

Summary of the development:

- $60 million approximate development cost over three stages.
- Neighbourhood centre anchored by Woolworths and a new proposed national supermarket on a 15 year lease
- Opportunity to reconfigure the centre to increase traffic flow between the two anchor tenants, increasing exposure to new speciality shops
- New food and beverage precinct to improve the centre's dining offer and create a main street activation.

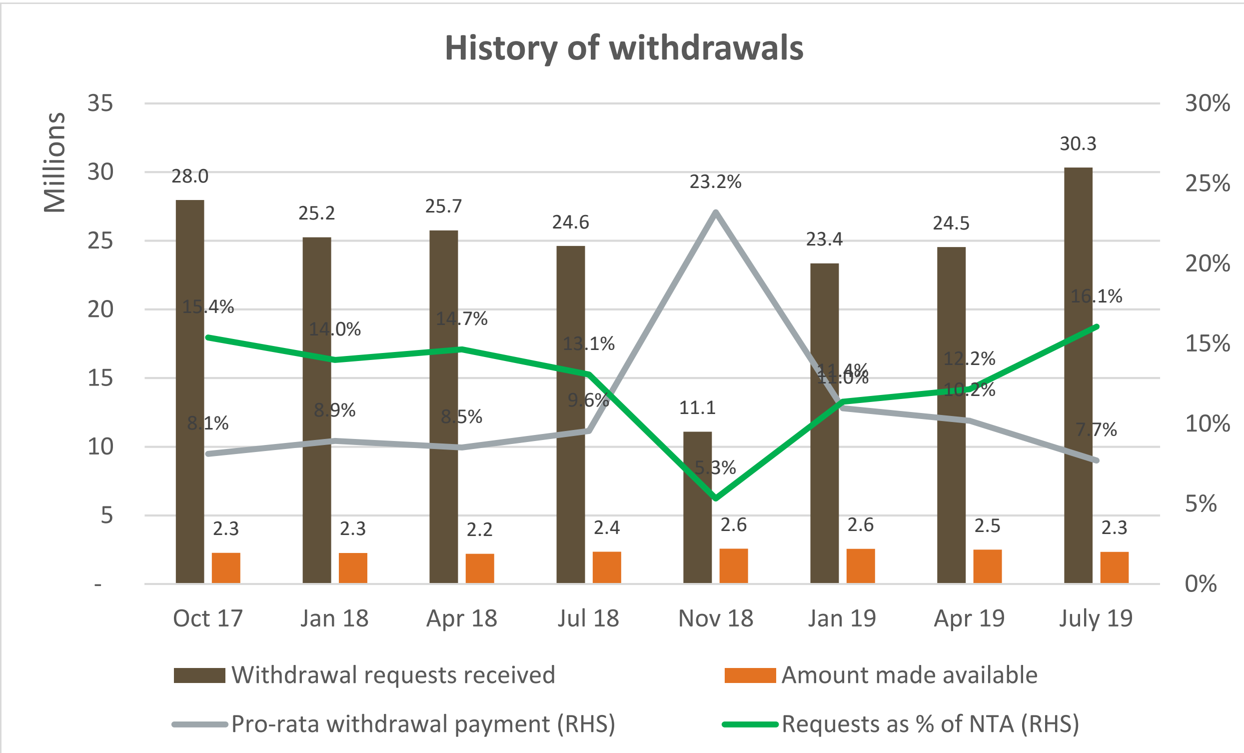
Conditional Development application was granted in June 2019, with endorsed conditional plans expected shortly from the City of Whitehorse.

The proposed development of the North Blackburn Shopping Centre aims to provide additional income, an improved WALE and the potential for capital growth for Securityholders. However, during the proposed development timeframe of approximately two years, there may be disruptions to existing tenants which may further detract from the forecast distribution yield for Securityholders in the short-term.

Withdrawal Facility

The Fund provides a Withdrawal Facility on a quarterly basis. It makes available 1.25% of the Fund's net tangible asset value for withdrawals each quarter. Based on the net tangible asset value of the Fund post the sale of Waurn Ponds Shopping Centre, this equates to approximately $1.92 million every quarter, or approximately $7.70 million per annum.

During the last eight withdrawal events (refer to the chart below), the amount made available for Securityholders seeking to withdraw has remained relatively static, but the total of withdrawal requests received has fluctuated. As the withdrawal requests received has exceeded the amount made available, withdrawal requests for the July 2019 quarter were pro-rated to 7.7%.



Based on Securityholder's limited participation in the Withdrawal Facility it is our view that the majority of Securityholders seek to maintain their investment. As a result, we have explored various options to increase the distribution yield, increase the diversification of assets and increase the likelihood of raising further equity to reinvest back into the assets, fund its potential developments, acquire additional assets, and provide liquidity to Securityholders who elect to exit their investment. This is set out in the next section of this document.

4. THE OPTIONS CONSIDERED

Before arriving at the Proposal which is now put before Securityholders, AUFML considered four major alternatives for the Fund to meet the Objectives. Selling all assets and winding up the Fund was also considered however, based on Securityholders limited participation in the Withdrawal Facility it is our view that the majority of Securityholders seek to maintain their investment.

4.1 Option 1 – Listing the Fund, or the merged DPF, on the Australian Securities Exchange (ASX)

In the listed market, and particularly for a fund with a small market capitalisation (the Fund's NTA value, which is similar to market capitalisation, is approximately $0.2 billion), likely investors will include property security fund managers. Based on our experience with the listed property market and property security fund managers, including feedback from potential underwriters relating to an IPO of a fund with a small market capitalisation, investors are typically more attracted to a single sector fund with approximately 30% gearing and a distribution yield of at least 7% p.a.

As the Fund's forecast distribution range is 3.5% - 3.9% for Wholesale Securities and 3.0% - 3.4% for Retail Securities for the year to 30 June 2020 (noting that the distribution return range is based on a number of assumptions and estimates which are set out in Section 12 of this EM), the Fund will not meet the likely minimum thresholds to attract investor equity and list on the ASX.

The merged DPF distribution yield is also forecast to be below 7%. As a result, the merged DPF would also not meet the likely minimum thresholds to attract investor equity and list on the ASX.

A summary of this option is set out below.

Securityholder impact	AUFML's assessment (Negative – Positive)	Comment
Execution risk	Negative	Successful small cap property IPOs have been single sector funds with a distribution yield of at least 7% pa. The Fund and the merged DPF's forecast distribution yield are less than 7%.
Time to execute	Neutral	If the Fund were suitable to list on the ASX, it would likely take approximately 3-6 months to execute.
Impact to distributions	Neutral-to-Positive	As the forecast distribution range is 3.5% - 3.9% for Wholesale Securities and 3.0% - 3.4% for Retail Securities for the year to 30 June 2020, increasing gearing to approximately 30% in-line with listed investor expectations will result in a higher level of distributions but would still not meet the likely minimum thresholds to attract investor equity and list on the ASX.
Impact on diversification	Neutral	If the Fund were suitable to list on the ASX, no assets would need to be sold.
Impact on value per Security	Negative	Transaction Costs to list on the ASX are significant and can impact value by 2-4 cents per Security.
Impact on future liquidity	Positive	If the Fund were suitable to list on the ASX, Securities may be sold on-market after the listing date if there were sufficient liquidity in the Securities.
Overall assessment to meet the Objectives	Neutral	As the forecast distribution range is 3.5% - 3.9% for Wholesale Securities and 3.0% - 3.4% for Retail Securities for the year to 30 June 2020, the Fund is not suitable to list on the ASX and an initial public offer would likely fail. Similarly, a merged DPF does not meet the likely minimum thresholds to attract investor equity and list on the ASX.

4.2 Option 2 – Continue operating the Fund as is

The development and subsequent sale of the Fund’s interest in the Waurn Ponds Shopping Centre capitalised on current market conditions and provided Securityholders with a good investment outcome. However, the sale has reduced the Fund’s ability to deliver stable income distributions and has reduced the diversification of the Fund.

The redevelopment at North Blackburn Shopping Centre will give the Fund an opportunity to deliver a similar development profile as Waurn Ponds Shopping Centre in terms of increased investor returns and long term sustainable income. However, during the expected 2-year development period, there may be minor disruptions to tenants’ and income temporarily thereby reducing income available for the Fund’s distributions, which may detract from the Fund’s investment objective to deliver steady income.

As a result of the sale of the Waurn Ponds Shopping Centre and the resulting reduction in net property income for the Fund, forecast distribution yield for the year ending 30 June 2020 is now forecast at 3.5% - 3.9% for Wholesale Securities and 3.0% - 3.4% for Retail Securities.

Importantly, since 2008, the Fund has provided regular quarterly capped withdrawals which continue to be oversubscribed. If the Fund continues to operate as is, without a significant injection of capital into the Fund, it will continue to draw on its debt to fund redemptions, reducing debt headroom, which is clearly unsustainable.

We consider this option does not meet the objective of the Fund given the level of forecast distributions, imbalance between inflows and redemptions, as well as addressing the oversubscription of withdrawal offers. With two assets, the Fund’s diversification is low as is its scale, which impacts the risk profile of the Fund. As a result, we do not favour this option for Securityholders.

A summary of this option is set out below.

Securityholder impact	AUFML’s assessment (Negative / Positive)	Comment
Execution risk	Positive	No execution risk as the Fund maintains its status quo.
Time to execute	Positive	Not applicable as the Fund maintains its status quo.
Impact to distributions	Neutral	The Fund’s earnings and distributions have decreased a result of the sale of its interest in Waurn Ponds Shopping Centre. While the proposed development at North Blackburn is forecast to deliver an increase in the long term rental income for the Fund, the expected increased income resulting from the development will only be realised once the development is complete in approximately 2 years time.
Impact on diversification	Negative	Since the Fund’s interest in the Waurn Ponds Shopping Centre has been sold, the Fund’s diversification has been reduced.
Impact on value per Security	Neutral	Not applicable as the Fund maintains its status quo.
Impact on future liquidity	Negative	The Withdrawal Facility would still operate on a quarterly basis and will likely continue to be oversubscribed.
Overall assessment to meet the Objectives	Neutral	The sale of the Waurn Ponds Shopping Centre detracts from the Fund’s objective to deliver steady income. With two assets, the Fund’s diversification is low as is its scale, which impacts the risk profile of the Fund, and exacerbates the difficulty in attracting new investors. As a result, we do not favour this option for Securityholders.

4.3 Option 3 – Raise further equity at a discount in the unlisted market

While some equity has been raised for the Fund in the unlisted market during the last few years, this has been less than the total amount that has been reinvested into the Fund's assets and paid to Securityholders through the Withdrawal Facility.

Another alternative considered was to raise further equity and attract new investors to the Fund by issuing Securities at a discount to the NTA per Security. However, we consider that this strategy is not in the best interests of Securityholders as it may dilute investment value. Moreover, the period of time to undertake such an unlisted capital raising could be extensive given the amount required to satisfy withdrawal requests and reinvest into the Fund's assets.

A summary of this option is set out below.

Securityholder impact	AUFML's assessment Negative | Positive	Comment
Execution risk	Negative	High risk given the period of time and the amount required to be raised.
Time to execute	Negative	This may take an extended period of time given the quantum of equity required in the unlisted market and historical evidence.
Impact to distributions	Negative	Earnings and distributions will decrease due to a greater number of Securities on issue.
Impact on diversification	Neutral	No assets will be required to be sold.
Impact on value per Security	Negative	Value would be diluted for existing investors as a result of issuing Securities at a discount to the NTA per Security.
Impact on future liquidity	Neutral	The Withdrawal Facility would still continue on a quarterly basis.
Overall assessment to meet the Objectives	Negative	A high risk strategy given the quantum of equity required and expected timeframe.

4.4 Option 4 – AUFML's recommended option:

Merge the Fund with the Australian Unity Diversified Property Fund and provide a once-off increase to the October 2019 Withdrawal Facility to $64 million

This is AUFML's recommended option and involves two broad components:

- Merging the Fund with the Australian Unity Diversified Property Fund; and
- Subject to the Proposal proceeding, provide a once-off increase of the October 2019 Withdrawal Facility to, $64 million.

Merging the Fund with DPF provides Securityholders with a number of advantages. In particular, it will provide greater scale and diversity for Securityholders, provide access to a larger pipeline of development opportunities, give greater on-going absolute dollar withdrawal opportunities with the increased scale of the merged DPF and an increased capacity to raise capital to support these initiatives. As part of, and subject to, the merger, we also intend to increase the October 2019 Withdrawal Facility to $64 million.

These benefits are further explained in Section 2 above.

Merging the Fund with DPF, in conjunction with a once-off increase of the October 2019 Withdrawal Facility to $64 million, balances the outcomes of existing Securityholders who wish to remain in the Fund and those Securityholders who wish to redeem or sell their investment.

A summary of this option is set out below.

Securityholder impact	AUFML's assessment Negative | Positive	Comment
Execution risk	Negative	The merger is subject to the requisite resolutions being passed in both the Fund and DPF.
Time to execute	Positive	Once Securityholders in the Fund, and investors in the DPF, pass the requisite Resolutions, the merger will be implemented within one week of the Meeting.
Impact to distributions	Positive	Distribution yield of DPF is forecast to be greater than that in the Fund, being 6.1%-6.5% pa compared to 3.5% - 3.9% for Wholesale Securities in the Fund and 3.0% - 3.4% for Retail Securities in the Fund for the year to 30 June 2020.
Impact on diversification	Positive	Securityholders will gain exposure to an additional eight assets via a scrip-for-scrip transfer of DPF Units.
Impact on value per Security	Negative-to-neutral	The Fund will pay a share of the Transaction Costs associated with the Proposal which will reduce the Fund's NTA per Security by approximately 0.2%. DPF's NTA will also reduce by approximately 0.4% on the Implementation Date.
Impact on future liquidity	Positive	A once-off increased amount of $64 million Withdrawal Facility is being offered subject to the Proposal proceeding. As the merged DPF will have a higher net tangible asset value compared to the Fund, the absolute dollar value of withdrawal offers will also increase each quarter.
Overall assessment to meet the Objectives	Positive	Merging the Fund with DPF, in conjunction with a once-off material Withdrawal Facility, balances the outcomes of existing Securityholders who wish to remain in the Fund and those Securityholders who wish to redeem or sell their investment.

A more detailed analysis of merging the Fund with the DPF, in conjunction with a once-off increased $64 million Withdrawal Facility, is set out in the next section of this document.

5. DETAILED ASSESSMENT OF THE PROPOSAL

5.1 Overview

To meet the Objectives of increasing the distribution yield, increasing the diversification of assets and increasing the likelihood of raising further equity to reinvest back into the assets, fund potential developments, acquire additional assets and provide liquidity to Securityholders who elect to exit their investment, AUFML recommends that the Fund merge with DPF.

DPF is an unlisted diversified property fund, with a portfolio of eight properties and holdings in listed property funds, collectively valued at $365.46 million as at 30 June 2019. More detail is set out in section 5.3 of this EM.

Assuming the Proposal is successful, the assets of the Fund will then be merged into the DPF. This will be achieved by the DPF acquiring all of the Securities in the Fund and, in consideration, DPF will issue its Units to Securityholders.

Once the Fund has been merged with the DPF, the once-off $64 million Withdrawal Facility, and a similar material withdrawal opportunity to Unitholders in the DPF, will then be paid.

It is the intention of AUPL, as Responsible Entity of DPF, to provide a Capped Withdrawal Facility each quarter (or more or less frequently at AUPL's discretion). As the merged DPF will have a larger NTA value, the absolute dollar value of the Capped Withdrawal Facility, which is currently calculated as 2.5% of the NTA value each quarter, will also be greater.

A number of costs will be paid from the assets of the Fund or DPF as part of the Proposal.

Some Transaction Costs will be incurred and/or paid by the Fund prior to the Implementation Date. These include legal, accounting and other advisory services in developing the Proposal, totalling approximately $0.3 million. These Transaction Costs will reduce the Fund's NTA per Security by approximately 0.2%.

On the Implementation Date, DPF will incur stamp duty on the acquisition of all Securities in the Fund and refinancing costs totalling approximately $1.2 million. This will reduce DPF's NTA per Unit by approximately 0.4%. As the Fund's Securities will be exchanged for DPF Units before DPF incurs stamp duty and refinancing costs, existing Securityholders in the Fund will effectively pay a portion of DPF's Transaction Costs upon acquiring Units in DPF.

5.2 Pro-forma of the merged DPF key metrics

The following table sets out the pro-forma forecast position of the Fund if merged with the DPF, compared to the Fund's current position.

Metric	Current Fund position at 30 June 2019 adjusted to reflect the sale of Waurn Ponds		Pro-forma forecast of the merged DPF position[1]		AUFML's expected outcome after merger is implemented
Gross asset value	$171.9 million		Approximately $537 million		Greater scale should deliver benefits for Securityholders e.g. greater diversification, lower risk, and greater absolute dollar liquidity.
Net tangible asset value	$153.8 million		Approximately $279 million		
Number of assets	2		10		
WALE	11.1 years		6.50 years		While the Fund has longer term leases, merged DPF's WALE remains attractive.
Occupancy	87.1%		87.6%		Occupancy levels are expected to be very similar pre and post the merger.
Sector allocation (direct properties)	Retail: Convenience:	37% 63%	Office: Retail: Industrial: Convenience:	31% 34% 17% 19%	Greater diversification across sectors, including the office and industrial sectors.
Geographic allocation (direct properties)	VIC: NSW:	37% 63%	VIC: NSW: WA: QLD:	27% 35% 27% 12%	Greater diversification and more balanced exposure across various states in Australia.

Metric	Current Fund position at 30 June 2019 adjusted to reflect the sale of Waurn Ponds	Pro-forma forecast of the merged DPF position[1]	AUFML's expected outcome after merger is implemented
Forecast earnings per Security / DPF unit	• Approximately 4.90 cents per Wholesale Security and approximately 3.30 cents per Retail Security for the full year to 30 June 2020.	Approximately 6.4~~2~~ cents per Unit for the full year to 30 June 2020. For each Security held: • Wholesale Securityholders are anticipated to receive 1.0255 Units in DPF • Retail Securityholders are anticipated to receive 0.8297 Units in DPF Therefore, a like-for-like comparison is; • 6.59 cents per Unit for Wholesale Securityholders • 5.33 cents per Unit for Securityholders holding Retail Securities	A higher earnings position given the merged DPF has higher gearing and greater diversification of assets which reduces the impact of earnings dilution from developments.
Forecast earnings yield	Approximately 3.5%-3.9% for Wholesale Securities and 3.0%-3.4% for Retail Securities for the full year to 30 June 2020.	Approximately 6.1%-6.5% for the full year to 30 June 2020.	Forecast earnings yield will improve due to increase in earnings per unit.
Payout ratio	Approximately 100%.	Approximately 100%.	Similar payout ratio.
Forecast distribution yield	Approximately 3.5%-3.9% for Wholesale Securities and 3.0%-3.4% for Retail Securities for the full year to 30 June 2020.	Approximately 6.1%-6.5% for the full year to 30 June 2020.	Higher expected distribution yield primarily due to higher expected earnings.
Gearing	6.6%	Approximately 43%	Higher gearing profile which is also accretive to earnings and distributions.
Debt facility limit	$70 million	$300 million	DPF will refinance its borrowings to increase its facility limit from $155 million to $300 million. This provides DPF with debt capacity to reinvest into assets, including to fund the potential developments identified in section 3 and 5.3 of this EM.
Liquidity	1.25% of net assets every quarter (approximately $7.70 million pa).	At merger date: A capped $64 million Withdrawal Facility for Securityholders of the Fund. After merger: 2.5% of net assets every quarter (approximately $27.9 million pa), plus deceased estates are paid out in full. A carry forward facility is in place if withdrawal requests are not paid in full.	As the merged DPF is expected to have a larger net tangible asset value, the absolute dollar value of withdrawal offers, which are calculated as 2.5% of the net tangible asset value each quarter, is also expected to be greater.

Metric	Current Fund position at 30 June 2019 adjusted to reflect the sale of Waurn Ponds	Pro-forma forecast of the merged DPF position[1]	AUFML's expected outcome after merger is implemented
Fees	• Base Management Fee: 0.75%-0.93% pa of the Gross Asset Value for Wholesale and Retail Security classes respectively • Performance Fee: 12.5% of the Fund's outperformance in excess of the Property Council/IPD Australian Retail Property Index. Performance fee threshold is reset after a three year period or when paid. • Termination fee: 1% of gross assets	• Base Management Fee: 0.65% pa of the Gross Asset Value. • Performance Fee: 20% of the merged DPF's outperformance in excess of 10% IRR pa multiplied by the NTA value of the merged DPF, subject to earning back any under-performance • Acquisition fee: 1% of the purchase price of new assets • Responsible Entity removal/retirement fee: 1% of Gross Asset Value.	The Base Management Fee after the merger will be lower. The Performance Fee change is based on an absolute benchmark (10% pa IRR). It also has an on-going performance fee threshold whereby any under-performance needs to be earned back. As the Fund's performance fee is calculated on a different basis to DPF's performance fee, it is not possible to provide a comparison of the financial impact it may have. If the proposal proceeds, DPF will charge an acquisition fee of 1% (before GST) of the purchase price of a real property asset. If the Proposal proceeds, DPF will charge a responsible entity removal/retirement fee of 1% (before GST) of the gross asset value of DPF (unless the replacement responsible entity is a related body corporate of AUPL).
Value	Value $1.0616 per Retail Security $1.3133 per Wholesale Security (ex-distribution NTA price as at 30 June 2019)	Value is diluted by approximately 0.65%[2], comprising dilution from pre-merger Transaction Costs of 0.2% and post implementation stamp duty, legal and refinancing costs of 0.4% of NTA.	Dilution will be caused by stamp duty, legal and refinancing costs associated with DPF acquiring the Fund's Securities.

1 There is no certainty the outcome will be achieved.
2 This forecast financial information is based on assumptions and is subject to risks. The forward looking statements, opinions and estimates contained in that information depend on various factors, many of which are outside the control of the Fund. Various factors, both known and unknown, may impact the Fund's performance and cause actual performance to vary significantly from what is expected. There can be no guarantee that the assumptions and contingencies on which the forecast financial information is based will ultimately prove to be valid or accurate. There can be no guarantee that the Fund will achieve its stated objectives or that any forward looking statement or forecast will eventuate.

5.3 About the Australian Unity Diversified Property Fund

The Australian Unity Diversified Property Fund comprises a portfolio of eight properties and holdings in listed and unlisted property funds, with a gross asset value of $375.49 million as at 30 June 2019.

Details of the direct property investments are set out below.

20 Smith Street, Parramatta NSW

Overview

- 20 Smith Street is a modern purpose built office complex completed in 1991 with basement, first and second level car parking for 182 vehicles, ground level retail accommodation and eight upper office levels.
- The NABERS Energy 4.5 stars rating was achieved following the installation of energy and water monitoring and reporting systems, BMS upgrades, sensor lighting and lighting upgrades as well as replacement of the chiller.
- End of trip facilities including disabled amenities were constructed in 2015 and a full upgrade of the 3 passenger lifts in the building were completed in June 2016. The entry foyer and common area lift lobbies were all refurbished in 2017.

Ownership interest	100% freehold
Location	Parramatta CBD
Sector	Grade A Office
NLA (sqm)	7,420
Car parks	182
Occupancy (% by Income)	100%
WALE by income	3.17 years
Major tenant (% by area)	GHD (18%)
Valuation	$71.00 million

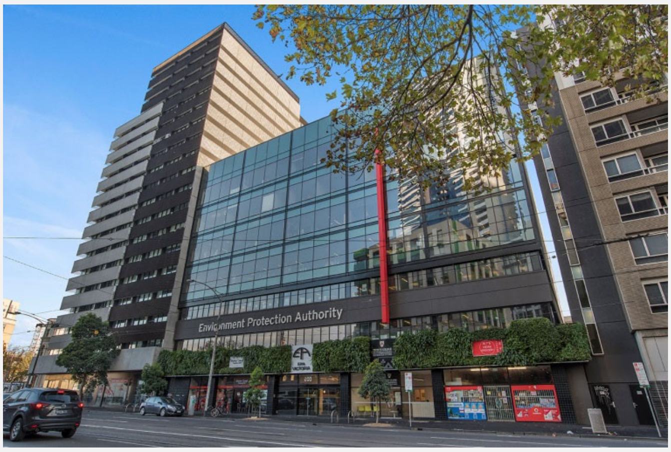
278 Orchard Road, Richlands QLD

Overview

- The property is improved with large scale warehousing and distribution facility with a two level office building attached to the north east corner of the building, a single level office accommodation to the rear and multiple container height roller doors with awnings over multiple loading docks.
- The original building was constructed circa 1983 having been extended over three stages.
- Car parking is available for 255 cars.
- Refurbishment works were completed in early 2017 to modernise the property.

Ownership interest	100% freehold
Location	Richlands Qld
Sector	Industrial
NLA (sqm)	53,000
Car parks	255
Occupancy (% by income)	48.17%
WALE by income	1.99 years
Major tenant (% by area)	Myer (22%)
Valuation	$59.25 million

200 Victoria Street, Carlton VIC



Overview

- 200 Victoria Street is a modern office building comprising 7,490 sqm of office accommodation over 6 levels, with retail accommodation on the ground floor, constructed in the 1970's with an extensive refurbishment completed in 2009.
- The refurbishment transformed the office building to a "next generation" sustainable building with 6 star green star rated office design and 5 star NABERS energy rating.
- A planning permit was granted by City of Melbourne on 27 October 2017 for the extension of the existing office building. The proposed extension comprises the addition of eight-storey's being approximately 9,100 sqm of additional NLA.
- The manager is seeking pre-commitments for the additional area prior to commencing the redevelopment.

Ownership interest	100% freehold
Location	Melbourne CBD
Sector	Grade A Office
NLA (sqm)	7,911
Car parks	8
Occupancy (% by Income)	100%
WALE by income	2.78 years
Major tenant (% by area)	Environment Protection Authority (67%)
Valuation	$59 million

Dog Swamp Shopping Centre, Yokine WA

Overview

- Neighbourhood centre located in the suburb of Yokine on the main arterial road, approximately 4.5 kilometres north of the Perth CBD.
- In 2017, Centre redevelopment works comprised the extension of the western wing of the centre, specifically the net addition of circa 1,585sqm over 2 levels with the introduction of an ALDI supermarket and additional specialties. Pleasingly the redevelopment has resulted in the Centres' foot traffic increasing by 200,000 since ALDI opened in November 2017.
- The centre comprises Woolworths and ALDI supermarkets, with 30 speciality tenancies inclusive of 2 kiosks, 4 ATMs and a mezzanine level 24 hour gym, active food and beverage entertainment precinct and with onsite parking in excess of 400.

Ownership interest	100% freehold
Location	Yokine WA
Sector	Retail
NLA (sqm)	8,073
Car parks	409
Occupancy (% by income)	96.40%
WALE by income	8.83 years
Major tenant (% by area)	Woolworths (45%)
Valuation	$48.50 million

Busselton Central Shopping Centre
30 Kent Street, Busselton, 19 & 21 Prince Street, Busselton, WA

Overview

- Busselton Central is a convenience centre located approximately 230 kilometres south west of Perth CBD on the prime corner in the heart of the Busselton CBD.
- The Busselton region has witnessed higher than average population growth for regional locations over the last 10 years.
- Constructed circa 2001, the centre comprises a new Coles supermarket, Best and Less and some 19 specialty shops including ATMs and in excess of 440 car-parking bays.
- The centre is currently being developed in stages to create a link mall and a food and beverage precinct, on the neighbouring Rivers and Target properties.

Ownership interest	100% freehold
Location	Busselton CBD
Sector	Retail
NLA (sqm)	9,909
Car parks	440
Occupancy (% by Income)	90.20%
WALE by income	6.11 years
Major tenant (% by area)	Coles (44%)
Valuation	$37.15 million

Woodvale Boulevard Shopping Centre
931 Whitfords Avenue, Woodvale WA

Overview

- Woodvale Boulevard Shopping Centre is located within the established suburb of Woodvale, in the City of Joondalup and approximately 17 kilometres north of Perth CBD.
- The property occupies a prime location along the major thoroughfare of Whitfords Avenue.
- Constructed circa 1992, the centre comprises a Woolworths supermarket and some 23 specialty tenancies and 3 ATMs.
- Refurbished in 2015 with a new skylight to brighten and modernise the main mall and further painting and tile upgrades in 2016.

Ownership interest	100% freehold
Location	Woodvale WA
Sector	Retail
NLA (sqm)	6,378
Car parks	408
Occupancy (% by income)	95.56%
WALE by income	5.29 years
Major tenant (% by area)	Woolworths (56%)
Valuation	$31.00 million

19 Corporate Avenue, Rowville, Vic	6-8 Geddes Street, Balcatta, WA (including, 5 Kenhelm Street, Balcatta, WA)

Overview

- The property is located within one of Melbourne's premier eastern industrial precincts approximately 26 kilometres from Melbourne's CBD, on the western side of Corporate Avenue, just north of Wellington Road and east of Eastlink.
- The property is a semi-modern industrial office and warehouse facility constructed in 1996. The facility has a gross lettable area of 12,398m² and incorporates a two storey office and adjoining high clearance warehouse situated on 20,950m² of Commercial 2 zoned land.
- The property has been fully occupied by Regal Beloit Corporation, a NYSE listed company, since 1996 with a lease in place until 30 April 2022.

Overview

- Located on the western side of Geddes Street, this property is located in the core industrial suburb of Balcatta, in the City of Stirling, approximately 11 kilometres north of Perth CBD.
- The property is a brick warehouse used as a "cash and carry" distribution centre leased to Foodland Associated Ltd.
- Includes the neighbouring parcel of land being 5 Kenhelm Street, which squares off the existing property to provide better opportunities in the future to expand the existing facility.

Ownership interest	100% freehold	Ownership interest	100% freehold
Location	Rowville, Vic	Location	Balcatta WA
Sector	Industrial	Sector	Industrial
NLA (sqm)	12,398	NLA (sqm)	6,961
Car parks	168	Car parks	186
Occupancy (% by Income)	100%	Occupancy (% by income)	100%
WALE by income	2.84 years	WALE by income	4.34 years
Major tenant (% by area)	Regal Beloit Corporation (100%)	Major tenant (% by area)	Foodland Associated Ltd (100%)
Valuation	$17.50 million	Valuation	$14.03 million

5.3.1 DPF's debt facility

DPF has received credit approved term sheets setting out a high level summary of the agreed terms for amendments to the DPF's existing debt facilities (the 'Debt Facility'), with the key terms outlined below. The Debt Facility will only be available on finalisation and execution of full-form financing documents and satisfaction of each condition precedent in the documents associated with the Debt Facility, including a successful merger.

Key terms of the Debt Facility	
Facility size	Up to $300 million
Maturity	A minimum of 3 years from the Implementation Date (expected to be October 2019, if the merger proceeds)
Key covenants	• A maximum 55% Loan to Value Ratio ('LVR') defined as the amount outstanding under the Debt Facility divided by the (GST-exclusive) market value of the Properties, based on the most recent valuations accepted by the Lenders. • A minimum Interest Coverage Ratio ('ICR') of 2.0 times, defined as the net income divided by finance charges for the previous rolling 12 months (in accordance with the methodology set out in the Debt Facility).

5.4 Comparison of performance

The performance of the Fund, compared to the DPF, is set out in the table below:

Total Return[1] to 30 June 2019	1 year	3 years	5 years
Australian Unity Retail Property Fund – Wholesale Securities	10.15%	18.81%	16.56%
Australian Unity Retail Property Fund – Retail Securities	9.90%	18.56%	16.26%
Australian Unity Diversified Property Fund	11.17%	14.54%	14.43%

1. The Total Return is calculated after fees and expenses and assumes the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

5.5 DPF Unitholder meeting

AUPL, as Responsible Entity of DPF, has also been exploring various options to increase the likelihood of raising further equity that better enables the DPF to pay for its development pipeline and provide liquidity to its Unitholders who elect to exit their investment.

AUPL, (a related party of AUFML), as Responsible Entity for DPF is also recommending DPF Unitholders approve the Proposal to merge DPF with the Fund.

An investor meeting for DPF Unitholders to consider the Proposal is scheduled for the same day as the Meeting of Securityholders in the Fund.

5.6 Exchange of Securities for Units

The exchange of Securities in the Fund for DPF Units will be calculated using the respective net tangible asset value per Security and DPF Unit excluding any buy/sell spread as at the Implementation Date. For calculating the net tangible asset value per Security and DPF Unit, the value adopted for the Fund and DPF's property assets will be based on independent valuations of each property as at 16 October 2019.

We have a **Valuer** to provide an independent value all of the real property assets of the Fund and DPF. The fair value of each of the assets of the Fund and DPF as determined by the Valuer will be adopted by the Responsible Entity of each of the Fund and DPF. This is consistent with relevant Direct Property Valuation Policy of the respective Responsible Entities.

The remaining assets and liabilities of the Fund and DPF will be valued at market value as at the Implementation Date.

In addition to the above, separate Independent Expert Reports from Deloitte addressed to both AUFML and AUPL have been prepared in respect of the Proposal and providing, among other things, a view that the Proposal is fair, reasonable, and in the best interests of each member of each of the respective schemes.

Based on our forecast estimates of the respective NTA value per unit of the Fund and DPF, Securityholders in the Fund will be entitled to receive 0.8297 DPF Units (calculated to four decimal places) for every Retail Security (or 1.0255 DPF Units for every Wholesale Security) they own in the Fund (the 'Exchange Ratio'). Immediately after the Implementation Date, there will not be any change in the dollar value of your investment as a direct result of the exchange of Securities for Units. This is because the merger will be based on the respective NTA value per unit of the Fund and DPF.

Securityholders should note that:

- the forecast Exchange Ratio may change as the actual Exchange Ratio will be determined based on the Fund's and DPF's NTA as at the Implementation Date; and
- the Independent Expert's approach to estimate the market value of DPF Units received per Security is set out in Section 7 of the Independent Expert's Report. AUFML's approach differs to the Independent Expert in that the Exchange Ratio will be set by reference to the relative contribution of net assets by the Fund and DPF as at the Implementation Date. The Independent Expert acknowledges that;
  - this is common in the property trust sector; and
  - that they consider this approach reasonable in these circumstances.

5.6 Pro-forma statement of financial position

To assist Securityholders to understand the financial position of the Fund after the merger is implemented, the following table steps through the statement of financial position of:

- the Fund as at 30 June 2019 with pro-forma adjustments reflecting the sale of its interest in the Waurn Ponds Shopping Centre, the once-off increase to the Withdrawal Facility and Transaction Costs (Table 1);
- DPF as at 30 June 2019 with pro-forma adjustments reflecting a once-off increase to its Capped Withdrawal Facility and Transaction Costs (Table 2); and
- A pro-forma statement of financial position for the merged DPF fund once the merger has been implemented (Table 3).

Table 1: Australian Unity Retail Property Fund						
Pro-forma statement of financial position	**As at 30 June 2019 ($'m)**	**Sale of the Fund's interest in Waurn Ponds Shopping Centre, Special Distribution and swap break cost ($'m)[1]**	**Revaluations and capital expenditure July – October 2019 ($'m)[2]**	**Transaction Costs ($'m)**	**Withdrawal Offer of $64 million and A-REIT sale ($'m)**	**Pro-forma Fund immediately prior to merger Implementation Date ($'m)**
	A	**B**	**C**	**D**	**E**	**F=A+B+C+D+E**
Cash and cash equivalents	2.95	(0.84)			9.79	11.90
Receivables and prepaid expenses	2.34					2.34
Investment properties and AREITs	312.46	(145.00)	(0.67)		(9.79)	157.00
Total assets	**317.75**	**(145.84)**	**(0.67)**	**0**	**0**	**171.24**
Payables	8.24				64.00	72.24
Derivatives	2.17	(2.17)				0
Interest bearing liabilities	118.20	(108.34)	1.02	0.34		11.21
Total liabilities	**128.61**	**(110.51)**	**1.02**	**0.34**	**64.00**	**83.45**
Net assets attributable to Securityholders	**189.14**	**(35.33)**	**(1.69)**	**(0.34)**	**(64.00)**	**87.78**
Gearing ratio	**37.20%**					**6.55%**
Retail Securities						
Number of securities (m)	155.60				(67.18)	88.42
NTA per security	1.0616	(0.1983)	(0.0095)	(0.0019)	0.0032	0.8552
Wholesale Securities						
Number of securities (m)	18.27				(6.72)	11.55
NTA per security	1.3133	(0.2453)	(0.0115)	(0.0023)	0.0031	1.0570

[1] Sale of the Fund's interest in the Waurn Ponds Shopping Centre for $145 million, less $1.3 million sales costs, less $2.3 million swap break costs, less $33.86 million Special Distribution to the Fund's Securityholders associated with the sale.

[2] Revaluations take into account draft valuation reports and forecast capital expenditure between July and October 2019.

Table 2: Australian Unity Diversified Property Fund					
Pro-forma statement of financial position	**As at 30 June 2019 ($'m)**	**Revaluations and capital expenditure July – October 2019 ($'m)[3]**	**Transaction Costs ($'m)**	**Withdrawal Offer of $15 million ($'m)**	**Pro-forma Fund immediately prior to merger Implementation Date ($'m)**
	G	**H**	**I**	**J**	**K=G+H+I+J**
Cash and cash equivalents	3.68				3.68
Receivables and prepaid expenses	2.31				2.31
Investment properties and AREITs	369.50	3.53			373.03
Total assets	**375.49**	**3.53**	**0**	**0**	**379.02**
Payables	11.51	0.74[4]		15.00	27.25
Derivatives	8.12				8.12
Interest bearing liabilities	147.33	3.46	0.31		151.10
Total liabilities	**166.96**	**4.20**	**0.31**	**15.00**	**186.47**
Net assets attributable to Unitholders	**208.53**	**(0.67)**	**(0.31)**	**(15.00)**	**192.55**
Number of Units (m)	201.44			(14.62)	186.81
NTA per Unit (ex-distribution)	1.0352	(0.0033)	(0.0015)	0.0004	1.0308
Gearing ratio	39.24%				39.87%

[3] Revaluations take into account draft valuation reports and forecast capital expenditure between July and October 2019.

[4] Accrued performance fee, of which $0.09 million has been crystallised and paid, with the remainder $0.65 million to be paid at 30 June 2020 or on Implementation Date as per Resolution B

Table 3: Merged DPF (where Australian Unity Diversified Property Fund has acquired all Securities on issue in the Australian Unity Retail Property Fund)				
Pro-forma statement of financial position	**Pro-forma Fund immediately prior to merger Implementation Date ($'m)**	**Pro-forma DPF immediately prior to merger Implementation Date ($'m)**	**Stamp duty, refinancing costs, withdrawal and other payments ($'m)**	**Pro-forma merged DPF immediately after merger Implementation Date($'m)**
	L=F	**M=K**	**N**	**O=L+M+N**
Cash and cash equivalents	11.90	3.68	(13.00)	2.57
Receivables and prepaid expenses	2.34	2.31		4.65
Investment properties and AREITs	157.00	373.03		530.03
Total assets	**171.24**	**379.02**	(13.00)	**537.26**
Payables	72.24	27.25	(82.22)	17.27
Derivatives	0	8.12		8.12
Interest bearing liabilities	11.21	151.10	70.46	232.78
Total liabilities	**83.45**	**186.47**	(11.75)	**258.16**
Net assets attributable to Unitholders	**87.78**	**192.55**	(1.24)	**279.09**
Gearing ratio	6.55%	39.87%		43.33%
Number of DPF Units (m)	85.20	186.81		272.02
NTA per Unit		1.0308	(0.0046)	1.0262
Retail Securities				
Number of securities (m)	88.42			
NTA per Security	0.8552			
Merger Ratio	0.8297			
Number of DPF Units	73.36			
Wholesale Securities				
Number of Securities (m)	11.55			
NTA per Security	1.0570			
Merger Ratio	1.0255			
Number of DPF Units	11.84			

The gearing ratio of the merged DPF assumes that the sum of all withdrawal requests in the Fund is $64 million, which equals the amount made available under the October 2019 Withdrawal Facility. A similar assumption applies to withdrawal requests in DPF. If the withdrawal offers in the Fund and DPF are not fully subscribed, then the gearing ratio will change. A sensitivity analysis is set out below.

Amount of withdrawal requests received compared to the amount made available under the withdrawal offer for the Fund and DPF	Pro-forma gearing ratio
100% (ie fully subscribed withdrawal offers)	43.33% (as set out in Table 3)
90%	41.86%
80%	40.39%

6. RISKS

RISKS ARISING FROM THE IMPLEMENTATION OF THE PROPOSAL

This section describes the key risks arising from implementing the Proposal. It does not purport to be an exhaustive list of every risk faced by the Fund, now or in the future.

Due to the structure of the Proposal, future risks will be risks associated with an investment in the merged DPF. Many of these risks, or the consequences of these, are outside the control of the Fund or DPF. If one or more of these risks eventuates, then the future operating performance of the Fund or DPF and the value of your investment in the Fund or DPF may be significantly affected. AUFML recommends that Securityholders consider the PDS and Supplementary PDS for DPF which accompanies this Explanatory Memorandum, which provides further information about the risks of investing in DPF.

Forward looking statements (including financial forecasts)

The forward looking statements, opinions and estimates provided in this Explanatory Memorandum, including the financial forecasts, are based on assumptions. There can be no guarantee that the assumptions and contingencies on which the forward looking statements, opinions and estimates are based will ultimately prove to be valid or accurate. The forward looking statements, opinions and estimates depend on various factors, many of which are outside the control of the Fund or DPF. Various factors, both known and unknown, may impact the Fund or DPF's performance and cause actual performance to vary significantly from what was expected. There can be no guarantee the Fund or DPF will achieve its stated objectives or that any forward looking statement or forecast will eventuate.

Existing Securityholders may retain a stake in DPF post-merger

Although Securityholders will have an opportunity to redeem some or all their Securities by participating in the once-off increased Withdrawal Facility, the amount made available for withdrawal is limited to $64 million and so, depending on the level of demand for withdrawals, it is possible that existing Securityholders who want to withdraw their investment in full will not be able to, and in such circumstances they will become Unitholders in DPF post-merger. Post-merger, Securityholders may not be long-term holders of Units in the merged DPF. As a result, the future Capped Withdrawal Facility offered by DPF may be oversubscribed and withdrawal requests pro-rated reflecting the amount made available under the Withdrawal Facility and the total amount of withdrawal requests received.

Liquidity risk

While limited withdrawals are available for the Fund or DPF, total withdrawal requests received may exceed the amount made available to meet those requests. If this occurs, withdrawal requests will be met on a pro-rata basis. It might take a number of withdraw requests to meet a withdrawal in full.

Since property assets by their nature are illiquid investments, in a prolonged period of volatility and/or reduction in market valuation, it may also be difficult for a Responsible Entity of the Fund or DPF to maintain the Withdrawal Facility.

If it is necessary for the Fund or DPF to raise equity or dispose of assets, to fund withdrawal requests, there is a risk that the Fund or DPF may not be able to raise sufficient equity, or realise sufficient assets in a timely manner or at an optimal sale price. This may affect the Responsible Entity's ability to return capital to Unitholders and may reduce the Fund or DPF's Unit price for all Unitholders.

In addition, if either Responsible Entity is of the view that it cannot sell at least 80% of the Fund or DPF's assets (as applicable) at their current market value within 365 days, the Fund or DPF will become illiquid and the Withdrawal Facility offered by the relevant Responsible Entity will be suspended. If this occurs, Unitholders can only withdraw when we make a withdrawal offer available in accordance with the Fund or DPF's Constitution and law.

Notwithstanding the Responsible Entity's current intentions, deterioration in market conditions may mean that it has to suspend or defer the Withdrawal Facility. If the Proposal proceeds, that means that Unitholders may remain invested in DPF, even if they wish not to be.

Gearing risk

The Fund or DPF combines investors' money with borrowed money and invests the combined amount in property related assets. This process, known as gearing, magnifies the effect of gains and losses on your investment and is generally considered more risky than similar investments that are not geared. A higher level of gearing is generally associated with a greater level of risk.

Funding and refinancing risk

To fund new acquisitions, capital expenditure and other material capital events, DPF intends to rely on a combination of funding options including equity and debt.

An inability to attract funding may adversely affect DPF’s ability to make future acquisitions or to meet future capital expenditure needs, which in turn could adversely affect the growth prospects of DPF, the Unit price or even DPF’s ability to maintain its properties to the requisite standard (which in turn may affect its ability to retain existing, or to attract new, tenants). An inability to refinance any debt (either on economically attractive terms or at all) or any increase in the cost of such funding, may also adversely impact the performance and the financial position of DPF.

Breach of debt covenants

The Debt Facility (see Section 5.3.1) will contain financial covenants based on the principal amount of debt outstanding, the properties’ valuations and net income tests. A breach of these covenants may be caused by many factors including a material event relating to a property (such as the loss of a key tenant), reduced valuations or by market conditions including interest rate increases. A covenant breach may result in the DPF paying higher interest rates or the lender choosing to enforce their security over one or a number of properties and/or requiring DPF to pay down the debt facility immediately or on short notice. Alternative financing may not be available, or may only be available on less favourable terms. DPF may be required to sell properties or reduce or suspend distributions in order to repay debt. The consequence of a breach of such a covenant may require the sale of one or more properties to reduce debt. If a forced sale occurs, it could result in a less than optimal price or a capital loss, dilution through further equity raising, or suspension of distributions to repay the debt facility.

Interest rates

Interest payable on the Debt Facility will depend on the interest rate (which is comprised of a fixed and variable base interest rate plus a margin) and the principal amount of debt outstanding. Fluctuations in interest rates will affect the financial performance of DPF.

To the extent that interest rates are not hedged or fixed, the financial position including the cost of debt will be affected, and could result in decreased distributions. If hedged through fixed rates or interest rate swaps and interest rates increase from current levels, similar interest rates may not be available upon extension/refinancing of that debt or the implementation of new hedging strategies. At the date of this EM, interest rates are generally at a historic low, and therefore upward movements in interest rates may have a comparatively high impact on net income to the extent that interest rates are not hedged.

To the extent that DPF has hedged its exposure to interest rates, a change in variable interest rates over time may require DPF to mark to market the fair value of its interest rate swaps and this may result in an asset or liability being recognised on DPF’s balance sheet, thereby changing the net tangible asset value per Unit.

Property development risk

A risk of property development is construction risk. Construction projects carry a risk that the costs of the project might be higher than budgeted or the project may be delayed or, in extreme circumstances, not finish.

We endeavour to mitigate construction risks by negotiating arrangements with builders whereby any costs incurred is fixed for most items. In addition, we aim to ensure that substantial pre-commitments to lease are in place before commencing any development.

Economic and market conditions

There is the risk that changes in economic and market conditions may affect asset returns and values and may decrease the Unit price of DPF. The overall performance of Units may be affected by changing economic or property market conditions. These may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies. A general economic downturn may have a significant negative impact on the Unit price of DPF.

Legal, regulatory and policy changes

Changes in law, government legislation, regulation and policy in jurisdictions in which the Fund and DPF operates may adversely affect the value of the properties and/or the Fund’s and DPF’s future earnings and performance, as well as the value of Securities and Units.

7. STEPS TO IMPLEMENTING THE PROPOSAL

The following summarises the high-level steps to merge the Fund with DPF (all dates are indicative) if the Proposal proceeds:

- The Constitution of the Fund will be amended by Supplemental Deed and lodged with ASIC
- The Responsible Entity of the Fund will process the withdrawals under the October 2019 Withdrawal Facility based on the applications for redemption which have been received (including all Securities held by Foreign Investors)
- DPF will acquire all Securities in the Fund, and Securityholders will be issued with Units in DPF.
- The proceeds of the withdrawals processed under the October 2019 Withdrawal Facility (including all Securities held by Foreign Investors) will be paid by the Responsible Entity of the Fund.

Pre-merger Distribution

The Responsible Entity will pay a pre-merger distribution of income for the period 1 October 2019 to (but not including) the Implementation Date, with a record date of 23 October 2019 or such other date determined by the Responsible Entity. The Fund expects this distribution to be approximately one-third of the quarterly distribution of the Fund to be paid for the period from 1 July 2019 to 30 September 2019. The pre-merger distribution will be paid shortly after the Implementation Date.

Withdrawal Facility

A Withdrawal Facility Booklet accompanies this EM for Securityholders who elect to redeem their investment in the Fund prior to implementing the merger. The increased once-off Withdrawal Facility aims to provide existing Securityholders with the opportunity to exit and reduce the risk of a large number of withdrawal requests in the merged DPF fund’s next Capped Withdrawal Facility, thereby increasing the likelihood of raising further equity.

The key terms of the Withdrawal Facility are summarised as follows:

- The amount made available under the once-off Withdrawal Facility will be increased to $64 million. However, we may change the amount of the Withdrawal Facility should we consider it to be appropriate. If the total amount of withdrawal requests for the Fund exceeds the amount available, requests will be met on a pro-rata basis. This means that we calculate the percentage of the amount available to the total withdrawal requests received, and then apply this to each individual Securityholder request;
- The Withdrawal Facility will be funded from the assets of the merged DPF fund and paid after the Implementation Date on or around 31 October 2019; and
- The Withdrawal Facility is not mandatory and Securityholders must elect to participate in the Withdrawal Facility. The price applied in meeting the withdrawal requests will be the NTA per Security, less a sell spread of 0.50%, on 23 October 2019.

Withdrawal of Foreign Investors

As part of the Proposal, it is intended that units in DPF are to be issued only to investors domiciled in Australia, and that Securityholders whose address on the unit register is located in a jurisdiction other than Australia will be ineligible to participate in the Proposed Transaction. Foreign Investors will have their Securities in each of the RPF Schemes compulsorily withdrawn as part of the October 2019 Withdrawal Facility.

Key terms of the withdrawal of Foreign Investors are as follows:

Item	Description
Withdrawal proceeds	You will receive the proceeds of withdrawal of your Securities in cash by electronic transfer or cheque. The amount you will receive will be calculated based on the exit price the Securities on the effective date of withdrawal.
Date of payment of withdrawal proceeds	Withdrawal proceeds will be paid after the Implementation Date on or around 31 October 2019.
Forms to be completed	None – the withdrawal will be automatic if the Proposal proceeds. However, if a Foreign Investor wants to participate in the October 2019 Withdrawal Facility if the Proposal does not proceed, then the Foreign Investor should complete and return the application attached to the Withdrawal Facility Booklet.
Tax implications	Refer to section 14 for more information regarding tax implications.

8. DETAILS OF THE RESOLUTIONS

The Resolutions are interdependent and will only be effective if:

(a) all Resolutions are passed by the requisite majorities;

(b) all resolutions are passed at a meeting of Unitholders of DPF scheduled to be held at 2:30pm AEDT on 23 October 2019; and

(c) the Merged DPF Refinances.

8.1 RESOLUTION A: APPROVAL OF THE PROPOSAL FOR MERGING FUNDS

Background

Merging the Fund with DPF is intended to increase the distribution yield, increase the diversification of assets and increase the likelihood of raising further equity to reinvest back into the assets, fund potential developments, acquire additional assets, and provide liquidity to Securityholders who elect to exit their investment.

Sections 4 and Section 5 of this Explanatory Memorandum set out the background, rationale and other options considered.

Type of resolution - ordinary resolution

This Resolution will be passed if 50% or more of the votes cast by Securityholders on the Resolution are voted in favour (whether in person or by proxy).

Reasons to vote in favour this Resolution

- You wish the Proposal to proceed and the Fund to merge with DPF.
- Greater diversification across Australia including an exposure across other property sectors including office and industrial properties.
- Enhanced earnings and distribution yield when compared to the Fund.
- Lower Base Management Fee when compared to the Fund.
- Provide access to a larger development pipeline which aims to enhance both DPF's income and growth returns over the medium term.
- Greater access to your investment through a once-off increase to the October 2019 Withdrawal Facility to $64 million which aims to allow Securityholders, at their election, to reduce or exit their investment prior to the merger.
- Greater on-going absolute liquidity given the larger net tangible asset value of DPF compared to the Fund and the greater percentage made available for withdrawal each quarter.

Reasons to vote against this Resolution

- If you do not support the Proposal, and do not wish the Fund merge with DPF, you would vote against this Resolution.
- The WALE for the merged DPF is lower than the Fund’s.
- The merged DPF will provide greater exposure to Western Australia which is currently experiencing lower economic growth than the eastern seaboard of Australia, albeit the exposure is mainly in convenience based neighbourhood shopping centres with national supermarkets as the major tenants which tend to be more resilient to changes in economic conditions than specialised tenants.
- While not necessarily a disadvantage, a consideration for Securityholders in the Fund is that the merged DPF will have exposure to office and industrial assets, as well as retail based assets in which the Fund was originally invested.
- The merged DPF will pay stamp duty, legal and refinancing costs as part of the Proposal which will reduce DPF's NTA per Unit by approximately 0.65%.

Consequences if this Resolution is passed

If this Resolution is passed, the remaining Resolution set out in the Notice of Meeting will be put to Securityholders for voting. If the remaining Resolution is passed, including those Resolutions to be considered by Unitholders of DPF subject to the Merged DPF Refinancing, the Fund will merge with DPF.

Consequences if this Resolution is not passed

- The Fund will continue to operate as an unlisted registered managed investment scheme and you will remain a Securityholder in the Fund;
- The amount made available under the October 2019 Withdrawal Facility will be 1.25% of the net tangible asset value of the Fund, which will be approximately $1.92 million, instead of $64 million;
- The NTA per Unit will reduce by approximately 0.2% as a result of the Fund paying its share of Transaction Costs relating to the development of the Proposal estimated to be $0.3 million;
- No stamp duty will be payable as the merger will not proceed;

- Only legal costs relating to debt refinancing will be incurred, not the debt establishment fees as the merger will not proceed; The performance fee (if any) will not be paid at the Implementation Date. AUFML will however continue to accrue and is entitled to receive a performance fee in accordance with the current Constitution where the performance fee criteria are met;
- AUFML will look to continue to offer the Withdrawal Facility capped at 1.25% of the NTA and will explore, but cannot guarantee, the continual provision of this Withdrawal Facility or other significant liquidity event for Securityholders;
- The Fund holds two assets reducing any diversification and scale benefits, which impacts the risk profile of the Fund; and
- Subject to meeting the conditions of the development approval, the Fund will likely commence the development at the North Blackburn Shopping Centre.

Recommendation

The directors of AUFML determined that Resolution A is in the interests of Securityholders and recommend that you vote in favour.

8.2 RESOLUTION B: AMENDMENTS TO THE CONSTITUTION AND PROVISION OF FINANCIAL BENEFITS TO A RELATED PARTY

Background

The Fund, as a registered managed investment scheme, is required by the Corporations Act to have a Constitution which sets out the obligations of the Responsible Entity in operating the Fund.

The Constitution needs to be updated to be commensurate with the current legislative requirements for a managed investment scheme and in order to implement the Proposal. AUFML also proposes that the provisions relating to fees are altered to implement the Proposal.

This Resolution proposes that the constitution of each of the Fund and the RPF Schemes be amended.

The following is a summary of the amendments to be made to the constitution of each of the Fund and the RPF Schemes:

Amendment	Description
Power to implement Proposal	The Responsible Entity of the Fund is authorised to implement the Proposal and to do all things necessary, desirable or reasonably incidental for the purpose of implementing or effecting the merger
Responsible Entity indemnity	The Responsible Entity is indemnified from the Fund assets for any claim, demand, cost, expense, damage, loss and liability that may be suffered or incurred by them in relation to or arising out of the Restructure
Responsible Entity liability	The Responsible Entity will not be liable to any Securityholder for any loss or cost arising in connection with the Proposal or its implementation
Power of attorney	The Responsible Entity is irrevocably appointed as the agent and attorney of each Securityholder to execute all documents and do all things which it reasonably considers necessary or desirable to be executed or done on behalf of the Securityholders to effect the merger, including without limitation to transfer each Securityholder's Securities to DPF and apply on their behalf for Units in DPF.
Performance fee	The Responsible Entity is entitled to be paid from the Fund a performance fee (if any), calculated as if the Implementation Date were the calculation date for the performance fee.

The proposed changes to the Constitution are set out in a supplemental deed poll in respect of each of the Fund and the RPF Schemes which will be tabled by the Chair at the meeting. Certain details of each supplemental deed poll may differ (for example, due to differences in the cross references in respect of the underlying constitution), although such differences are not material and the substantive amendments set out in the above table are identical in respect of each of the Fund and the RPF Schemes.

Related Party Approval

Securityholder approval is being sought to the extent that some changes to the Constitution constitute the giving of a financial benefit from or by the Fund to AUFML or to any of its related bodies corporate, such as AUPL. This approval is sought under the related party approval provisions of Part 2E of the Corporations Act. AUFML is a related party (within the meaning of the Corporations Act) of the Fund by reason of it being the Responsible Entity and AUPL is a related party because it is AUFML's related body corporate. Additional information on related party interests is provided in Section 11.6 of this Explanatory Memorandum.

An explanation of the changes to the Fund's Constitution that may constitute the giving of a financial benefit to AUFML is set out below.

Change to fees

As noted above, under the changes to the Constitutions of the Fund, AUFML will become immediately entitled to a performance fee (if any) which has accrued but is not yet payable under the terms of the Constitutions. This is a benefit to be paid to AUFML from the assets of the Fund.

Merger to benefit DPF

As a result of the merger, which will be effected under the terms of an implementation deed entered into between AUFML and AUPL, a related body corporate, the size of DPF will be expanded so that AUPL will be entitled to more fees in the future, given that its fees are calculated by reference to DPF's gross asset value.

Type of resolution – special resolution

This Resolution will be passed if 75% or more of the votes cast by Securityholders entitled to vote on the resolution are voted in favour (whether in person or by proxy).

Reasons to vote in favour of this Resolution

- You wish the Proposal to proceed and the Fund to merge with DPF.
- The performance fee (if any) as set out above is commensurate with the Fund's performance and finalises all fee arrangements in the Fund as at the date of implementing the Proposal.

Reasons to vote against this Resolution

- If you do not support the Proposal, and do not wish the Fund merge with DPF, you would vote against this Resolution.
- You prefer the existing constitutional provisions.
- Any accrued performance fee (if any) will be paid to the Responsible Entity upon implementation of the Proposal.

Consequences if this Resolution is passed

If this Resolution is passed including the Resolutions to be considered by DPF Unitholders, and subject to the Merged DPF Refinancing, the Fund's Constitution will be amended and lodged with ASIC. Once lodged with ASIC, the changes will be effective.

Consequences if this Resolution is not passed

- The Fund will continue to operate as an unlisted registered managed investment scheme and you will remain an Securityholder in the Fund;
- The amount made available under the October 2019 Withdrawal Facility will be 1.25% of the net tangible asset value of the Fund, which will be approximately $1.92 million, instead of $64 million;
- The NTA per Security will reduce by approximately 0.2% as a result of the Fund paying its share of Transaction Costs relating to the development of the Proposal estimated to be $0.3 million;
- No stamp duty will be payable as the merger will not proceed;
- Only legal costs relating to debt refinancing will be incurred, not the debt establishment fees as the merger will not proceed; The performance fee (if any) will not be crystallised and paid at the Implementation Date. AUFML will however continue to accrue and is entitled to receive a performance fee in accordance with the current Constitution where the performance fee criteria are met;
- AUFML will look to continue to offer the Withdrawal Facility capped at 1.25% of the NTA and will explore, but cannot guarantee, the continual provision of this Withdrawal Facility or other significant liquidity event for Securityholders;
- The Fund holds two assets reducing any diversification and scale benefits, which impacts the risk profile of the Fund; and
- Subject to meeting the conditions of the development application, the Fund will likely commence the development at the North Blackburn Shopping Centre.

Recommendation

The directors of AUFML determined that Resolution B is in the interests of Securityholders and recommend that you vote in favour. None of the directors of AUFML have an interest in the outcome of this Resolution.

9. IMPLEMENTING THE PROPOSAL

IMPORTANT DATES	
• Explanatory Memorandum issue date (this document) • DPF PDS and Supplementary PDS issue date	23 September 2019
• October 2019 Withdrawal Facility opens	23 September 2019
• October 2019 Withdrawal Facility closes	23 October 2019
• Deadline for Proxy Forms to be received by AUFML	9:30am on 21 October 2019
• Date and time for determining eligibility to vote	5.00pm on 22 October 2019
• Meeting	9:30am on 23 October 2019

IF THE RESOLUTIONS ARE APPROVED AT THE MEETING	
• Supplemental Deed is executed amending the Constitution	23 October 2019
• Record date for the pre-merger distribution	23 October 2019
• Effective date for processing all withdrawals	23 October 2019
• Implementation Date: Merger implemented by the Australian Unity Diversified Property Fund acquiring all Securities in the Fund, and Securityholders receiving Units in the Australian Unity Diversified Property Fund	25 October 2019
• Withdrawal offer proceeds (including amounts payable to Foreign Investors) paid	31 October 2019
• Pre-merger distribution paid	31 October 2019
• Commence despatch of holding statements to all Securityholders	31 October 2019

All dates following the date of the Meeting are indicative only and could change.

Any change to this timetable will be notified to Securityholders and posted on the Australian Unity website at www.australianunity.com.au/wealth/rpf.

10. WHAT YOU NEED TO DO

Step 1

Read the:

- Notice of Meeting;
- Explanatory Memorandum; and
- PDS & Supplementary PDS

Step 2

Consider:

- participating in the October 2019 Withdrawal Facility (this is not mandatory and is not required for Foreign Securityholders)

Step 3

- Attend the Meeting to vote; or
- Complete the Proxy Form

Information contained in this Explanatory Memorandum and Notice of Meeting is important. You should read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

If, prior to 5.00pm (AEDT) on 22 October 2019, you have sold all of your Securities, please disregard this document.

11. ADDITIONAL INFORMATION

11.1 CONDITIONS PRECEDENT

The conditions precedent for the Proposal are:

- all Resolutions are passed by the requisite majorities;
- all resolutions are passed at a meeting of Unitholders of DPF scheduled to be held at 2:30pm AEDT on 23 October 2019; and
- the Merged DPF Refinancing.

If these conditions are not satisfied, the Proposal and the once-off increased October 2019 Withdrawal Facility to $64 million will not proceed.

11.2 DISPUTE RESOLUTION

We take complaints seriously and aim to resolve them as quickly as possible. If you would like to make a complaint you can call us on 13 29 39, email us at investments@australianunity.com.au or write to us at the following address:

Manager – Client Services
Australian Unity – Client Services
Level 13, 271 Spring Street, Melbourne VIC 3000

We will promptly acknowledge your complaint within 10 business days, investigate it and decide in a timely manner what action needs to be taken. We will notify you of our decision within 45 days after receipt of the complaint, together with any remedies that are available, or other avenues of appeal against the decision.

If you are not satisfied with our handling or resolution of your complaint, then you may contact the external independent body that has been established to provide recourse for consumers, free of charge,

In writing to:	Australian Financial Complaints Authority
	GPO Box 3, Melbourne VIC 3001
Website:	www.afca.org.au
Email:	info@afc.org.au
Telephone:	1800 931 678 (free call)
Fax:	(03) 9613 6399

11.3 COOLING OFF REGIME

No cooling off period applies to the issue of Units in DPF under the Proposal.

11.4 CONSTITUTION

A copy of the Constitution of the Fund and the supplemental deed poll showing the proposed changes is available for inspection at the registered offices of Australian Unity from 8:30am until 5:30pm AEDT Monday to Friday.

11.5 IMPLEMENTATION DEED

AUPL as Responsible Entity of DPF and AUFML as Responsible Entity for each of the Fund and its RPF Schemes entered into the Implementation Deed with an effective date of 23 October 2019. The Implementation Deed regulates the basis on which the merger will be implemented.

A summary of some of the main points of the Implementation Deed are as follows:

(a) (**Agreement to implement the merger**) each of the responsible entities agrees to take all necessary actions that are necessary to give effect to the merger.

(b) (**Obligations**) the main obligations of the responsible entities are to carry out the steps in the Implementation Deed to implement the merger including, in respect of the relevant Responsible Entity for its respective Scheme, taking all necessary steps to:

- consent to, approve or ratify a transaction or amend the relevant constitution to permit a transaction and give effect to the merger;
- make a withdrawal offer to members and pay any redemption amounts;
- convene the required member and board meetings;
- make distributions to members in accordance with this Explanatory Memorandum;
- redeem units of members in the relevant funds and do other things to effect the redemption;
- transfer units from the RPF Schemes to AUPL as Responsible Entity of DPF and do other things to effect the transfers;
- apply for Units in DPF and do other things to effect the application;
- accept and issue Units in DPF and do other things to effect the issue of units;

- de-staple Units in the RPF Schemes; and
- terminate the Fund.

(c) (**Termination rights**) the Implementation Deed will terminate if:

a. the conditions as outlined below are not satisfied by 31 December 2019:

i. passing of resolutions by a requisite majority of Fund members to approve the merger;

ii. passing of resolutions by a requisite majority of DPF member to approve the merger (the **Conditions**); or

b. any of the responsible entities determine that the merger is not in the best interests of the members of their respective Scheme.

(d) (**Limitation of liability**) the liability arising under or in connection with the Implementation Deed can be enforced against a Responsible Entity only to the extent it can be satisfied out of the property of the relevant Scheme, out of which the respective Responsible Entity is actually indemnified for the liability.

The Implementation Deed also deals with the refinancing of debt.

11.6 RELATED PARTY INTERESTS

Interests held by Directors of the Responsible Entity in the Fund

Except as set out in this Explanatory Memorandum, no Director of the Responsible Entity holds, or held at any time during the last two years, any interest in:

- the formation or promotion of the Fund; or
- property acquired or proposed to be acquired by the Fund in connection with either of the formation or promotion of the Offer, and no person had paid or agreed to pay, or given or agreed to give, any benefit to a Director or proposed director of the Responsible Entity to induce them to become, or to qualify as, a director of the Responsible Entity; or
- services provided by a Director of the Responsible Entity in connection with either the formation or promotion of the Fund or with the Offer.

In addition, certain of the directors of AUFML may have non-material indirect investments in Australian Unity or the Securities as a result of investments held by them directly or indirectly in Australian Unity financial products or managed funds.

Other Directors' Interest in the Proposal

No director has an interest in the Proposal other than to the extent that they may receive fees for acting as a director of AUFML and other entities within the Australian Unity Limited group.

Interests of Associates (other than the Directors of the Responsible Entity) in Securities

As at 30 June 2019, funds managed by Australian Unity Limited subsidiaries and other related party subsidiaries held 16.29% of the total Securities in the Fund. This is set out in the table below.

Entity	Value	Holding (%)
Lifeplan Australia Friendly Society Limited	$11.46m	6.02%
Australian Unity Property Income Fund	$11.03m	5.79%
Australian Unity Health Limited	$5.64m	2.96%
Australian Unity Property Securities Fund	$2.69m	1.41%
Australian Unity Balanced Growth Portfolio	$0.21m	0.11%
Australian Unity Property Limited	$0.002m	0.00%
Total	**$31.04m**	**16.29%**

Voting exclusions

Funds managed by Australian Unity Limited subsidiaries and other related party subsidiaries will abstain from voting on the Proposal.

11.7 GOVERNANCE STRUCTURE FOR THE PROPOSAL

The Responsible Entity established a governance structure to manage any perceived conflict of interest in the Proposal:

1) Because the Board of the Responsible Entity of the Fund and the Board of the Responsible Entity of DPF comprised the same three directors, an additional separate executive director with suitable skills and experience relevant to the Proposal and the operation of the Fund was appointed to the Board of the Responsible Entity of the Fund (and also to the Board of the Responsible Entity of DPF).
2) The respective Boards were then effectively split so that only the additional separate executive director (non-conflicted director), and an existing director, who will act only in relation to the recommendation of the non-conflicted director, take actions in respect of the Proposal, for the Fund (and for DPF respectively) including:
   a) separately engage and instruct Deloitte as an independent expert in respect of the Fund and DPF respectively, (Independent Expert);
   b) liaise with the respective management committees in respect of the Fund and DPF;
   c) provide a recommendation to the Board of each Responsible Entity in respect of the Proposal; and
   d) vote on the Proposal in respect of the Fund and for DPF respectively.

The voting structure for the board of each Responsible Entity in respect of the Proposal is set out in the following table:

The Fund	DPF
Existing Director A (act only in relation to the recommendation of the non-conflicted director)	Director A (abstain)
Director B (abstain)	Existing Director B (act only in relation to the recommendation of the non-conflicted director)
Director C (abstain)	Director C (abstain)
New Director D (non-conflicted director)	New Director E (non-conflicted director)

3) Additionally, separate management committees in respect of the Fund and DPF was established. Each management committee comprised of three different senior managers and executive members with relevant skills and experience. The management committees:
   a) are overseen by, and report to, each of the non-conflicted directors in respect of the Fund (and DPF respectively);
   b) consider and manage the Proposal on a day-to-day basis under the instruction of each of the non-conflicted directors in respect of the Fund (and DPF as applicable);
   c) liaise with the Independent Expert; and
   d) provide separate guidance and support to each of the non-conflicted directors on the board of the Fund (and DPF as applicable).
4) Information protocols were also implemented in respect of the Proposal at both the Board and Management level to ensure independent consideration of the Proposal, independent instruction of the Independent Expert, and independent review of the Independent Expert's Reports.
5) For efficiency, timing and cost, Deloitte was engaged to provide a separate opinion and Independent Expert's Report (IER) in respect of the Board of the Responsible Entity of the Fund and DPF. The non-conflicted directors on each side of the Proposal separately engaged Deloitte.
6) To avoid duplication and from a client management perspective, a core engagement team from Deloitte prepared the IERs. The team from Deloitte:
   a) was instructed by only the non-conflicted directors;
   b) worked with the separate management committees; and
   c) considered the interests of the members of, respectively the Fund and DPF.
7) To ensure that any perceived conflicts of interest are managed, the Independent Expert implemented a quality assurance and independence process with separate secondary partner reviews of each IER and opinion.
8) The appointment of an additional separate executive director to the Board of the Responsible Entity of the Fund (and also to the Board of the Responsible Entity of DPF) together with the strict allocation to the non-conflicted directors of certain tasks as described, ensures there is appropriate separation at each level of the management,

oversight, and decision making in respect of the Proposal, as well as the provision of an IER prepared on the basis of separate instruction, analysis, and review. Therefore, the non-conflicted directors were able to:

9) make appropriate inquiries of management and seek appropriate advice about the Proposal;
10) independently assess the information provided; and
11) ensure the necessary corporate approvals are obtained.

11.8 ASIC Relief

ASIC has granted or has indicated that it will grant the following modifications and exemptions from the operation of the Corporations Act in relation to the Fund and DPF.

Section 601FC(1)(d): an exemption to AUFML and AUPL to allow them to exclude Foreign Investors from participation in the Proposal and to deal with them in the manner set out in Section 7 of this Explanatory Memorandum

Division 5 of Part 7.9 of the Corporations Act — modifications to exempt the issue of Units in DPF from certain cooling-off rights.

12 FORECAST ASSUMPTIONS

The distribution return range forecast is made on the basis of a number of assumptions and estimates, which are detailed below.

The forecast distribution return ranges are not guaranteed and are provided only to indicate current distribution projections for the Fund. We emphasise that investment decisions should not be based on forecast returns, past performance, distribution rate, or the ratings given by a ratings agency for the Fund, since these can vary, and are current only to the date of publication 23 September 2019

Forecast assumptions

A range of assumptions have been used when calculating the distribution forecasts. Where possible, assumptions have been based on information contained in unaudited management accounts or on existing contracts and agreements. Securityholders should be aware that actual results may vary significantly from those forecast, as future events may not occur in accordance with the assumptions detailed below.

For information on the risks of investing and the risks associated with the Fund refer to Section 6 of this EM, and for the risks associated with DPF, the risk section of the DPF PDS dated 18 September 2019 and Supplementary PDS 23 September 2019.

- Consumer Price Index (CPI) - Inflation assumed as per the Deloitte Access Economics national CPI forecast at 2.1% for 12 months.
- Average forecast interest rates on borrowed funds - Uses cost of borrowing for DPF's Debt Facility (see Section 5.3.1) which has been provided by our financiers and assumes the facilities are refinanced on the Implementation Date. Assumes there are no material changes in market interest rates, hedging policy or arrangements.
- Property sales and acquisitions - Apart from the sale of retail A-REITs in the Fund as outlined in the pro-forma tables in Section 5, there are no other significant transaction assumptions included in the forecast for the next 12-month period.
- Fees – Proposed changes to fees are as outlined in this EM, including changes to the Base Management Fee and the calculation of performance fee. Please refer to section 5.2 for further details.
- Expenses - Growth in property related expenses have been assumed to increase by CPI and included in net property income.
- Income - The projected rental income and outgoings recoveries have been based on existing rental agreements and management forecasts for existing vacancies and future lease expiries. Assumptions regarding potential vacancies, leasing renewals and fees have been calculated on a lease-by-lease basis, taking into account expected market conditions at the time of expiry.
- Capital expenditure - Capital expenditure during the forecast period has been taken into account at the amount included in management forecasts.
- Applications - Due to the nature of a pro-forma forecast, no applications have been assumed.
- Redemptions – assumed to be $64 million and thereafter 2.5% of the net asset value of the DPF each quarter.

To assist in assessing the significance of key assumptions used in forecast distributions, the sensitivity to changes in some key assumptions are detailed below. This sensitivity analysis is a forecast only and variations in the actual performance may exceed the ranges shown.

- Increase in interest rates by 0.5% - A change in interest rate of 0.5% would not vary forecast distributions for the 12 month period, particularly given the current and forecast interest rate hedge ratios.
- Development of property - Timing for the planned developments at North Blackburn Shopping Centre, Busselton Central Shopping Centre, and 200 Victoria Street, Carlton may create a slight adverse impact on distributions.
- Sale of property – The sale of a property would have an impact on forecast distribution levels.
- Acquisition of a new property - The Fund is not contemplating any acquisitions of properties over the next 12 months, unless there is an increase in the level of applications.
- Change in level of applications - An increase or decline in applications would have an impact on forecast distribution levels.
- Change in level of redemptions - A decline in the level of redemptions from the Fund would have no material impact upon the forecast distribution.

13 OTHER INFORMATION

If the Proposal proceeds there will be some of the features of your investment may change. Further information on this is below.

From 16 October 2019 through to 31 October 2019, applications will be suspended to allow sufficient time to calculate the Exchange Ratio.

Distribution Payments

Should the Proposal proceed, your distribution payments will be paid to the Australian bank or financial institution account details linked to your investment in the Fund. The amount of distribution income paid for your investment in the Fund is based on the number and class of Units you hold at the end of the distribution period. Distributions are generally paid within 15 business days at the end of the distribution period.

In the event the Proposal does not proceed, the distribution payment options as outlined in the Fund's PDS will apply.

Adviser remuneration – Retail Securities Only

If you currently hold Retail Securities in the Fund, unless your financial adviser has elected to not receive it, your financial adviser may be receiving ongoing remuneration for placing your investment, known as trail commission. The amount of trail commission paid is up to 0.44% pa of your average account value. Trail commission is paid by us to your adviser out of the fees we receive from the Fund.

An adviser who has elected to not receive trail commission may have instead chosen to rebate it to you. Rebated trail commissions appears on your periodic statement reporting as a 'trail commission rebate' transaction which occurs monthly.

As DPF does not offer an adviser ongoing remuneration facility, payments and rebates of trail commissions relating to your investment will cease if the Proposal proceeds.

We recommend that you consult with your financial adviser if an alternative form of remuneration is required.

Please note that legislation to remove grandfathering arrangements for conflicted remuneration and other banned remuneration from 1 January 2021 was introduced into the Australian Federal Parliament on 1 August 2019.

Consent to be named

The organisations listed in the following table have given, and have not before the date of this Explanatory Memorandum was lodged with ASIC, withdrawn their written consent to:

- Be named in this Explanatory Memorandum in the form and context in which they are named;
- The inclusion of their respective reports or statement noted next to their names and reference to those reports or statements in the form and context in which they are included in this Explanatory Memorandum; and
- The inclusion of other statements in this Explanatory Memorandum which are based on or referable to statements made in those reports or statements, or which are based or referable to other statements made by those persons in the form and context in which they are included

Name of entity	Named as	Report or Statement
Ashurst Australia	Legal adviser and tax adviser	
Australian Unity Limited	A related party of AUPL	
Australian Unity Property Limited	The responsible entity of DPF	
Deloitte Corporate Finance Pty Limited	Independent Expert	Independent Expert's Report

None of the organisations referred to above has made any statement that is included in this Explanatory Memorandum on any statement on which this Explanatory Memorandum is based, other than any statement or report included in this Explanatory Memorandum. Each of the organisations above:

- Has not authorised or caused the issue of this Explanatory Memorandum
- Make no representation; and
- Expressly disclaims and take no responsibility for any statements in or omissions from this Explanatory Memorandum other than references to its name or a statement or report included in this Explanatory Memorandum with the consent of that person as specified above.

14 TAX INFORMATION FOR SECURITYHOLDERS

The following is a summary of the Australian income tax, Goods and Services Tax (GST) and stamp duty implications for an existing Securityholder in the Fund. It applies to Securityholders who hold their investment in the Fund on capital account for tax purposes. This summary does not consider the tax implications for other Securityholders such as those who hold their investment in the Fund on revenue account or as trading stock.

This summary is based on our interpretation of the current Australian tax laws at the date of publication of this document, including applicable case law and published guidance by the Australian Taxation Office, which may be subject to change, including with retrospective effect.

The information below is intended to be a brief guide only and does not purport to be a complete statement of the relevant tax law, nor does it take into account your individual circumstances. Accordingly, we recommend that you seek independent professional taxation advice regarding your particular circumstances.

However, we note that we have engaged Ashurst Australia to consider the tax consequences associated with the Proposal and the summary provided in this Section 14. Ashurst Australia have confirmed that the information provided in these parts is materially correct, based on the instructions that we have provided to them.

14.1 Background

Some of the steps involved as part of the Proposal involve:

- Making a pre-merger distribution of income of the Fund to Securityholders (see section 14.2.2);
- Making a Withdrawal Offer to Securityholders who wish to exit (see section 14.2.4);
- Exchanging Securities in the Fund for DPF Units (see section 14.2.5); and

Securityholders should be aware that their investment in the Fund comprises an investment in three underlying trusts which are 'stapled'. Those trusts are the Australian Unity Retail Property Trust, Australian Unity Property Syndicate East West and Australian Unity Gillies Street Trust (collectively referred to as the Stapled Trusts).

The tax implications from these events are set out below.

14.2 Australian Income Tax implications for Australian resident investors

14.2.1 Pre-merger distribution

Assuming the Proposal proceeds, the Responsible Entity intends to pay a pre-merger distribution of income of the Fund reflecting the undistributed earnings of the Fund up to, but not including the Implementation Date.

The Responsible Entity will notify Securityholders of the tax components attributed to the Securityholder in respect of the year ending 30 June 2020 by issuing members an AMMA statement after the end of the financial year in accordance with usual practice.

Securityholders who do not participate in the Withdrawal Facility, or who have only part of their withdrawal request redeemed, and have their Securities in the Fund exchanged for DPF Units will receive two AMMA statements for the year ending 30 June 2020:

- an AMMA statement from the Responsible Entity of the Fund which includes the pre-merger distribution; and
- an AMMA statement from the Responsible Entity of DPF which includes distributions received from the Implementation Date to 30 June 2020.

14.2.2 Resident Securityholders participating in the Withdrawal Facility

Securityholders who participate in the Withdrawal Facility will have their Securities in the Fund redeemed, which will constitute a redemption of the Units in each of the Stapled Trusts for CGT purposes. Each Unit in the Stapled Trusts will constitute a separate asset for CGT purposes. As a result, any net capital gain derived on redemption of Units in each of the Stapled Trusts may be included in your assessable income.

Resident Securityholders will make a capital gain (or capital loss) to the extent that the capital proceeds attributable to the redemption of each of the Units in the Stapled Trusts exceed (or are less than) the Securityholder's cost base (or reduced cost base) in respect of those Units.

In determining the cost base or reduced cost base of your Units in each of the Stapled Trusts, you will need to take into account:

- any returns of capital and tax deferred distributions received up to 30 June 2017 and the 'AMIT cost base net amount – excess' on distributions received between 1 July 2017 and the Implementation Date in respect of your Units, as these amounts may have the effect of decreasing your cost base and therefore increasing your capital gain or decreasing your capital loss; and
- the 'AMIT cost base net amount – shortfall' which is expected to arise on the 2020 AMMA statement issued by the Responsible Entity of the Fund in respect of the Special Distribution (noting that the pre-merger distribution will also be taken into account in determining the AMIT cost base net amount - shortfall), as this amount may have the effect of increasing your cost base and therefore decreasing your capital gain or increasing your capital loss.

An Australian resident Securityholder who is either an individual, trustee or complying superannuation fund may be entitled to a CGT discount in respect of a taxable capital gain realised on the redemption of its Units, if the Units were held for at least 12 months prior to redemption and certain other conditions are satisfied. The CGT discount applies (after any available capital losses are applied to reduce the capital gain) to reduce qualifying capital gains made by individuals and trustees by 50%, and capital gains made by superannuation funds by 33 1/3%. Trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains. The CGT discount is not available for companies.

14.2.3 Exchange of Securities in the Fund for DPF Units

Securityholders who do not fully participate in the Withdrawal Facility will have their Securities in the Fund exchanged for DPF Units. The exchange results in CGT event A1 occurring in respect of each Unit as Securityholders will have disposed of their Units in each of the Stapled Trusts. Subject to the application of the CGT rollover referred to below, Securityholders will make a capital gain (or capital loss) to the extent that the value of the DPF Units allocated to the Units in each Stapled Trust, exceeds (or is less than) the Securityholder’s cost base (or reduced cost base) in the Units in each Stapled Trust.

A CGT rollover should apply to the Units in each Stapled Trust held by a Securityholder if:

- the Securityholder would otherwise make a capital gain on the disposal of the relevant Units;
- the Securityholder chooses to obtain the rollover, which is evidenced by the way in which the Securityholder prepares their tax return; and
- the Securityholder is an Australian resident for tax purposes.

If the rollover applies to all Units, the capital gain is disregarded. The Securityholder's DPF Units will have a cost base equal to the cost base of the Units in the Stapled Trusts at the date of the disposal. The Securityholder's cost base in the Units held in the Stapled Trusts should take into account the specific rules referred to above at 14.2.2. As a result of the rollover, the capital gain that would otherwise arise if the rollover did not apply should effectively be able to be deferred until another CGT event takes place in respect of the DPF Units (eg the relevant Securityholder subsequently disposes of their DPF Units).

If no choice to claim rollover relief is made by a particular Securityholder, any capital gain will be assessable to that Securityholder and their DPF Units will have a cost base equal to the value of the DPF Units on the merger date. The CGT discount may apply if the Securityholder is an individual, trustee or complying superannuation fund and the Units in the Fund were held for at least 12 months and certain other conditions are satisfied.

In the event that a Securityholder makes a capital loss on the disposal of any of the Units in the Stapled Trust, the CGT rollover will not apply to that loss. Any capital loss may be available to offset current or future year capital gains.

14.3 Australian Income Tax implications for non-resident investors

14.3.1 Distributions

Australian tax law imposes obligations on the relevant Stapled Trust to withhold tax on distributions paid to non-residents for Australian tax purposes.

If you are not an Australian resident for tax purposes, withholding tax will be deducted from your distributions at the prescribed rates. The rates may vary according to the components of the distribution and the country in which you reside.

14.3.2 Non-resident Securityholders participating in the Withdrawal Facility

Securityholders who are not residents of Australia for tax purposes and have their Units automatically redeemed under the Withdrawal Facility should not be subject to CGT in Australia on any resulting gain unless certain circumstances apply. These circumstances include where the non-resident Securityholder:

- (together with their associates) holds 10% or more of the total Securities in the Fund;
- was a former Australian resident and chose to treat their Securities as taxable Australian property when they ceased to be an Australian resident for income tax purposes or
- held the Units at any time through a permanent establishment in Australia.

Other circumstances may apply and as such we recommend non-resident Securityholders seek their own independent professional taxation advice.

14.4 Goods and Services Tax

Securityholders will not be liable for any GST on the disposal of Units pursuant to the Withdrawal Facility, or to the extent that they exchange their Units for DPF Units. Cash distributions from the Fund to Securityholders will also not be subject to any GST.

14.5 Stamp Duty

Securityholders will not be liable for any stamp duty on the redemption of Units pursuant to the Withdrawal Facility or on the exchange of Units in the Fund for DPF Units.

15. INDEPENDENT EXPERT'S REPORT

Australian Unity Retail Property Fund

Independent expert's report and Financial Services Guide

23 September 2019

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately $150,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed transaction between the Australian Unity Retail Property Fund and the Australian Unity Diversified Property Fund (the Proposed Transaction).

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Australian Financial Complaints Authority (AFCA). AFCA provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. AFCA's contact details are also set out below.

The Complaints Officer PO Box N250 Grosvenor Place Sydney NSW 1220 complaints@deloitte.com.au Fax: +61 2 9255 8434	Australian Financial Complaints Authority Limited GPO Box 3 Melbourne VIC 3001 info@afca.org.au www.fos.org.au Tel: 1800 931 678 Fax: +61 3 9613 6399

What insurance arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

23 September 2019

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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The Directors
Australian Unity Funds Management Limited in its capacity as Responsible Entity for the Australian Unity Retail Property Fund and the stapled schemes that constitute the Australian Unity Retail Property Fund
271 Spring Street
Melbourne
VIC, 3000

23 September 2019

Dear Directors

Re: Independent expert's report

Introduction

Australian Unity Property Limited (AUPL) in its capacity as Responsible Entity (RE) of Australian Unity Diversified Property Fund (DPF) has made an offer to acquire all the securities in the Australian Unity Retail Property Fund and the stapled schemes that constitute the fund (RPF) (the Proposed Merger or Proposal)[1]. The consideration offered by DPF to the holders of RPF securities will be units in DPF equal to the net asset value of the RPF securities immediately prior to the Proposed Merger as set out by the proposed exchange ratios in the Explanatory Memorandum (refer to Section 5.6).

The full details of the Proposed Merger is included in an explanatory memorandum (Explanatory Memorandum) issued by Australian Unity Funds Management Limited (AUFML) to RPF securityholders. An overview of the Proposed Merger is provided in Section 1 of our report.

Purpose of the report

RPF and DPF are funds managed by entities associated with Australia Unity Limited. The funds are largely invested in commercial and retail property assets. RPF's securityholders and DPF's unitholders are mainly wholesale and retail investors and the securities of both funds are not listed.

The directors (the Directors) of AUFML in its capacity as RE of RPF have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Merger is fair and reasonable.

This independent expert's report has been prepared to assist RPF securityholders in their consideration of the Proposed Merger.

[1] The Proposed Merger will occur after the implementation of the withdrawal facilities for RPF and DPF (refer to Sections 1.4, 6.2.8 and 7.2.6, respectively).

This report accompanies the Explanatory Memorandum sent to RPF securityholders and has been prepared for the exclusive purpose of assisting RPF securityholders in their consideration of whether to accept or reject the Proposed Merger. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the RPF securityholders and AUFML, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

We have prepared this report having regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 (RG 111) in relation to the content of expert's reports.

To assess whether the Proposed Merger is in the best interests of RPF securityholders, we have adopted the test of whether the Proposed Merger is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Further information on the basis of evaluation is set out in Section 2.

We note that the proposed exchange ratios (i.e. the number of units RPF securityholders are receiving in DPF in return for the securities they currently hold in RPF) have been determined by reference to property valuations that, at the date of this report, are in the process of being finalised. The Explanatory Memorandum quotes the pro-forma balance sheet and other information on the basis of these finalised property valuations whereas our report has not had explicit regard to these property valuations.

As such, and whilst our evaluation of the Proposed Merger has been undertaken having regard to the proposed exchange ratios, figures quoted in this report, especially with respect to the pro-forma financial position, may be different to those quoted in the Explanatory Memorandum.

Based on draft valuations received from the independent property valuers, no material change is expected to the proposed exchange ratio or the pro-forma financial position.

Summary and conclusion

We have considered whether the Proposed Merger is fair by comparing the current market value of a RPF security to the estimated market value of the DPF units that a RPF securityholder will receive.

In our opinion the Proposed Merger is fair and reasonable to, and therefore in the best interests of, RPF securityholders. In arriving at this opinion, we have had regard to the following factors.

The Proposed Merger is fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed Merger is fair, the independent expert is required to compare the current market value of a RPF security on a control basis with the estimated market value of units received in the Proposed Merged Entity (Consideration) under the Proposed Merger.

The Proposed Merger is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer.

Set out in the table below is a comparison of our assessment of the market value of a RPF security with the market value of a DPF unit.

Table 1: Comparison of our valuation of a RPF security to the value of the Consideration

$	Section	Low	High
RPF Retail securityholders evaluation			
Estimated market value of one RPF Retail security	6	0.76	0.86
Estimated market value of Consideration received for one RPF Retail security	7	0.77	0.85
RPF Wholesale securityholders evaluation			
Estimated market value of one RPF Wholesale security	6	0.87	0.97
Estimated market value of Consideration received for one RPF Wholesale security	7	0.95	1.05

Source: Deloitte Corporate Finance analysis

A RPF Retail security (Retail security) has a different value to a RPF Wholesale security (Wholesale security) primarily due to the relative net asset entitlement of each class of security arising from the different inception dates for wholesale and retail classes[2] and different management fee structure.

We have estimated the market value of RPF Retail and Wholesale securities using the net assets on a going concern methodology, an approach commonly used in valuing property investment trusts and other asset holding businesses. Our valuation does not incorporate the future tax impact on RPF securityholders as a result of any future disposal or their securities or the underlying properties as the tax liability is borne directly by securityholders and the tax position of each securityholder is different. However, we note that CGT rollover is available to RPF securityholders.

The valuation range reflects the value of each class of RPF security on a control basis. In applying this methodology, we made certain adjustments to the net assets of RPF by including the sale of Waurn Ponds, revaluations of properties, the one-off Withdrawal Facility being made available to RPF securityholders and deduction of capitalised operating costs. Our valuation of each class of RPF security is set out in Section 6.

In calculating the top end of our range in respect of a RPF Retail and Wholesale security, we assumed that 25% of the current operating costs will be incurred by a hypothetical investor of RPF into perpetuity. An alternative view could be to consider a scenario whereby the value of RPF is based on an orderly realisation of its property assets, whilst taking into account disposal costs of approximately 5%. The disposal costs represent the costs associated with disposing the properties and winding up the fund (including relevant fees to be incurred by the fund), along with the time value of money. The value of the securities, including 5% disposal costs and no allowance for future operating costs, would be $0.88 per retail security and $0.97 per wholesale security. This is broadly comparable to the high end of our valuation range.

To estimate the value of Consideration being received, we have estimated the market value of the entity that will be formed by the Merger of RPF and DPF (Proposed Merged Entity) based on the market values of RPF and DPF and made certain adjustments specific to the net assets of the Proposed Merged Entity, including transaction costs incurred, applicable premiums and deduction of capitalised operating costs. Our valuation of the Consideration is set out in Section 7.

The number of DPF units being received by RPF Retail securityholders and RPF Wholesale securityholders per unit is different. Therefore, the value of the Consideration varies for the two groups of securityholders.

There is significant overlap between the estimated market value range of the Consideration being received by RPF Retail securityholders and our estimated range of the market value of a RPF Retail security. On the whole, we consider the value of a RPF Retail security and the value of the Consideration

[2] The relative net asset entitlement for each class of security arises from the terms of the Constitution of RPF which sets out how the RE must determine the net proceeds of realisation by reference to scheme interests of each class of security on a proportional basis.

being offered to RPF Retail securityholders to be equal. As such, we consider the Proposed Merger to be fair so far as RPF Retail securityholders are concerned.

Whilst there is a small overlap between the estimated market value range of the Consideration being received by RPF Wholesale securityholders and our estimated range of the market value of a RPF Wholesale security, on the whole the value of the Consideration is higher. As such, we also consider the Proposed Merger to be fair so far as RPF Wholesale securityholders are concerned.

While the pro-forma financial position in this report may be different to that quoted in the RPF Explanatory Memorandum, the approach being taken to set the proposed exchange ratios, which will be calculated using the respective net asset value per security and independent valuations of each property as at 16 October 2019, as outlined in Section 5.6 of the RPF Explanatory Memorandum, would mean that, in the absence of a substantial unforeseen change, the Proposed Merger will still be fair as at the Implementation Date.

RPF securityholders will also receive a special distribution immediately prior to the Proposed Merger, separately from the Consideration above.

The Proposed Merger is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Merger is reasonable. We also note the following factors.

The proposed exchange ratios will be set by reference to the relative contribution of assets by the two funds

It is common in the property trust sector for transactions to be commercially agreed between parties based on the relative value of the net assets contributed by each party. This is the manner in which the proposed exchange ratios have been established.

The Proposed Merged Entity will be more diversified than RPF

The Proposed Merger will increase the diversification of the property portfolio that RPF securityholders are exposed to, in particular, through exposure to Western Australian and Queensland markets, other property sectors such as industrial and office assets in addition to the retail based assets which RPF is already invested in, and an increased tenant pool through those properties. However, the Proposed Merged Entity will provide greater exposure to Western Australia which is currently experiencing lower economic growth than the eastern States of Australia, albeit the exposure is in convenience-based neighbourhood shopping centres with a supermarket as the major tenant.

RPF securityholders will have exposure to a larger development pipeline

RPF securityholders will gain access to a more substantial development pipeline. These developments could result in additional value to the Proposed Merged Entity that would otherwise not be available to RPF securityholders.

The Proposed Merged Entity will provide additional on-going absolute liquidity

The Proposed Merger, if approved, will provide additional absolute liquidity to RPF securityholders through the quarterly capped withdrawal facility of 2.5% of the Proposed Merged Entity's net tangible assets (NTA) (approximately $27.9m per annum), compared to current annual liquidity of $7.7m per annum. Withdrawals are based on NTA at the end of each quarter.

The Proposed Merged Entity will have a higher forecast distribution yield than RPF

If the Proposed Merger is approved, RPF securityholders are forecasted to receive a higher distribution yield of approximately 6.1% to 6.5% for the full year to 30 June 2020, compared to a distribution yield of approximately 3.5% to 3.9% for Wholesale securities and 3.0% to 3.4% for Retail securities over the same period if the Proposed Merger does not go ahead.

The calculation of fees will change

The current performance fee payable by RPF securityholders is 12.5% of the outperformance against the Property Council of Australia/MSCI Australia Annual Retail Property Index (Unfrozen). The benchmark is reset after a three year period or when paid. The performance fee structure in the Proposed Merged Entity will be 20% of the Proposed Merged Entity's outperformance in excess of 10% internal rate of return per annum, subject to earning back any under-performance.

This will benefit securityholders when property values are declining, or where the benchmark return is lower than 10%. The current benchmark return is 5.1%.

However, the performance fee percentage will increase from 12.5% of the outperformance to 20% of the outperformance.

If the Proposed Merger is approved, RPF securityholders will benefit from the payment of a lower base management fee. It will decrease from 0.75% for wholesale securities and 0.93% currently paid by retail securities to a flat fee of 0.65% of gross asset value (GAV) per annum as a unitholder in the Proposed Merged Entity.

However, the responsible entity of Proposed Merged Entity will also be entitled to new acquisition fees related to transactions involving the property assets. On the other hand, the responsible entity of RPF is currently entitled to termination of fund fees and the responsible entity of Proposed Merged Entity will not be entitled to such fees. Whilst our assessment of value has taken account of the change in base management fees, given the uncertainty with respect to future acquisitions of property assets, our assessment of fairness does not take account of these new fees. However, in isolation these new fees could be viewed as a disadvantage of the Proposed Merger.

The Proposed Merged Entity will have higher gearing levels than RPF

If the Proposed Merger is approved, this will result in an increase in the gearing that RPF securityholders are exposed to, which is expected to increase from 6.6% to 43.3% as the Proposed Merged Entity is expected to require additional debt to finance the one-off Withdrawal Facility and will have the same level of gearing as DPF.

The Proposed Merged Entity will have a lower weighted average lease expiry (WALE) than RPF

The Proposed Merger will result in a decrease in the WALE from 11.1 years to 6.5 years. A shorter WALE may increase market risk as leases expire. Higher turnover may also increase management costs, but provides opportunities to increase rent or reconfigure a building (which may create value).

The Proposed Merger will result in RPF incurring transaction costs

If the Proposed Merger is approved, transaction costs of $3.6m (including legal, accounting and advisory costs, and stamp duty paid by the Proposed Merged Entity) will be incurred. Of these costs, $0.6m will be incurred regardless of whether the Proposed Merger is approved.

There are a number of conditions to the Proposed Merger which are outside the control of RPF securityholders

If the unitholders of DPF do not approve the Proposed Merger, then the Proposal will not proceed, and RPF and DPF will continue as two separate unlisted funds. The Proposed Merger is also conditional on the Proposed Merged Entity obtaining refinancing and extending DPF's debt facility.

The Proposed Merger appears to be the best alternative available

Executives and Directors of AUFML undertook a detailed study evaluating the alternatives available to RPF. Their discussion of these alternatives is set out in Section 4 of the Explanatory Memorandum. They consider the Proposed Merger to be the best alternative.

We have reviewed these alternatives, which included holding discussions with the executives of AUFML, the Management Committee and the Independent Directors of AUFML. The sale of the investment properties is not considered desirable as RPF securityholders will not be able to take advantage of stamp duty concessions and will result in a realisation of assessable income arising from the revaluations of the properties in the hands of the RPF securityholders. Having regard to this, and outside of a cash offer (which has not been forthcoming and which may not allow RPF securityholders to continue to participate in other benefits of the Proposed Merged Entity), we believe that the Proposed Merger is the best alternative available to RPF securityholders.

The Proposed Merger allows securityholders to benefit from liquidity associated with the Withdrawal Facility

As part of the Proposed Merger, and subject to it proceeding, RPF securityholders will be entitled to take advantage of the Withdrawal Facility. To the extent that the security pricing under the Withdrawal Facility is higher than our valuation of a RPF security, securityholders may wish to consider participating in this Withdrawal Facility. However, in such circumstances, securityholders will lose the ability to participate in other benefits of the Proposed Merged Entity.

Exchange ratio uncertainty

The proposed exchange ratios will be set by reference to the net assets per security in RPF and DPF as at the anticipated date of the Proposed Merger (Implementation Date). As at the date of our report, the net assets per security for RPF and DPF have not yet been finalised and are expected to change closer to the Implementation Date due to the finalisation of property valuations, mark to market valuation of derivatives and RPF and DPF's listed A-REIT investments, resulting in some uncertainty as to the final exchange ratio. However, based on our analysis, the approach being taken to set the proposed exchange ratios would mean that, in the absence of a substantial unforeseen change, the Proposed Merger will still be fair. The final exchange ratios are not expected to differ materially from the pro-forma exchange ratios set out above.

Conclusion on reasonableness

Having regard to the above including our assessment that the Proposed Merger is fair, in our opinion, the Proposed Merger is reasonable for both RPF Retail securityholders and RPF Wholesale securityholders.

Opinion

In our opinion, the Proposed Merger is fair and reasonable to RPF Retail securityholders and RPF Wholesale securityholders. It is therefore in the best interests of RPF Retail securityholders and RPF Wholesale securityholders.

An individual securityholder's decision in relation to the Proposed Merger may be influenced by his or her particular circumstances. If in doubt the securityholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

Tapan Parekh
Authorised Representative
AR Number: 461009

Glossary

Reference	Definition
$	Australian dollars
AFCA	Australian Financial Complaints Authority
ASIC	The Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
AUFML	Australian Unity Funds Management Limited
AUPL	Australian Unity Property Limited
Consideration	The consideration offered by DPF to the holders of RPF securities, in the form of units in DPF with an aggregate value equal to the net asset value of RPF immediately prior to the Implementation Date
Deloitte	Deloitte Touche Tohmatsu
Directors	The Directors of Australian Unity Funds Management Limited
DPF	Diversified Property Fund
FSG	Financial Services Guide
FY	Financial year
GAV	Gross asset value
Implementation Date	Anticipated date that the Proposed Merger is intended to take effect
LVR	Loan to value ratio
m	Million
Management	The management of Australian Unity Funds Management Limited
NTA	Net tangible assets
Proposed Merged Entity	The entity that will be formed by the Merger of RPF and DPF
Proposed Merger	The proposed transaction involving the merger of RPF and DPF
REIT	Real estate investment trust
RE	Responsible entity
Retail security	A retail security in RPF
RPF	Retail Property Fund
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
Wholesale security	A wholesale security in RPF
Withdrawal Facility	One-off withdrawal facilities offered to RPF securityholders and DPF unitholders, respectively

Contents

1 Overview of the Proposed Merger

1.1 Summary

AUFML as Responsible Entity for RPF and AUPL as Responsible Entity for DPF, have announced a proposal to merge RPF and DPF.

If the Proposed Merger is successful, the merger will be implemented by DPF acquiring all of the securities on issue in RPF in consideration for units in DPF, at exchange ratios based on the NTA of RPF relative to that of DPF, as at the Implementation Date. The NTA of RPF and DPF will be determined at the Implementation Date by reference to independent property valuation reports which will be issued at or around 16 October 2019.

The objectives of the Proposed Merger include:

- increasing the diversification of assets
- providing access to a larger development pipeline which aims to promote income and capital growth
- increasing the likelihood of raising further equity for growth to fund the potential developments, acquire additional assets or provide further withdrawal opportunities
- providing a once-off increase in liquidity to all investors who elect to exit their investment[3]
- providing greater ongoing absolute liquidity.

Further detail on the objectives is set out in Section 2.1 of the Explanatory Memorandum.

1.2 Key conditions of the Proposed Merger

The Proposed Merger is to be implemented by the passing of two interdependent resolutions:

1. Resolution A: Approval of the Proposed Merger.
2. Resolution B: Amendments to the constitution and provision of financial benefits to a related party. The main changes to the constitution are to permit the Proposed Merger and the payment of accrued performance fees (if any) to the manager of RPF and DPF.

Further details on the above resolutions are set out in Section 2.2 of the Explanatory Memorandum.

The Proposed Merger is subject to various conditions, being:

1. RPF securityholders must approve the following resolutions:
   - Resolution A: if 50% of the votes cast by securityholders entitled to vote, in person or by proxy, vote in favour
   - Resolution B: if 75% of the votes cast by securityholders entitled to vote, in person or by proxy, vote in favour
2. unitholders of DPF must approve the resolutions set out in a separate notice of meeting and explanatory memorandum
3. the Proposed Merged Entity refinancing and extending DPF's debt facility.

1.3 Governance regime in respect of Proposed Merger

As outlined in the Explanatory Memorandum, the Responsible Entities agreed to manage any perceived conflict of interest in the Proposed Merger by adopting the following governance structure:

- separation of the boards of the Responsible Entities of RPF and DPF and abstaining from all actions relating to the entity that the relevant director is not allocated to so that the directors of

[3] Made possible through the one-off increase to the withdrawal facility

each of the Responsible Entities are not conflicted in making decisions in respect of the Proposed Merger

- two non-conflicted directors from the respective boards of the Responsible Entities of RPF and DPF
- establishment of separate management committees in respect of RPF and DPF, which are overseen by the relevant non-conflicted directors.

We have made enquiries with executives of AUFML, the management committees and the non-conflicted directors in order to independently assess the Proposed Merger and the information provided.

Further detail on the governance regime is set out in Section 11.7 of the Explanatory Memorandum.

1.4 Intentions if the Proposed Merger proceeds

If the Proposed Merger proceeds:

- **Pre-merger distribution**: RPF will pay a pre-merger distribution of income for the period from 1 October 2019 to (but not including) the Implementation Date. It is expected that this distribution will be approximately one-third of the quarterly distribution to 30 September 2019. The pre-merger distribution will be paid to existing RPF securityholders shortly after the Implementation Date.

  DPF will also pay a pre-merger distribution to existing unitholders expected to be approximately one-third of the recent quarterly distribution
- **Withdrawal facilities**: the RPF withdrawal facility will be increased on a once-off basis from $1.9m to $64m to accommodate those RPF securityholders who wish to exit their investment prior to the Proposed Merger.

  DPF unitholders will also benefit from a one-off withdrawal facility increase from $5.2m to $15m to accommodate those DPF unitholders that wish to exit their investment prior to the Proposed Merger
- **Transfer of securities**: securityholders in RPF will transfer their securities to DPF in exchange for units in DPF, at exchange ratios determined by reference to the relative NTA value of RPF and DPF as at the Implementation Date
- **Fee structure change**: DPF's base management fee structure will apply in the Proposed Merged Entity, with base management fees reducing from 0.93% p.a. of RPF's GAV for Retail securities and 0.75% p.a. of RPF's GAV for Wholesale securities, to a flat fee of 0.65% p.a. of the Proposed Merged Entity's GAV. Performance fees will change from:
  - For RPF: 12.5% of the outperformance relative to The Property Council of Australia/MSCI Australia Annual Retail Property Index (Unfrozen) Published Quarterly
  - For DPF: 20% of the outperformance compared to the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index, multiplied by the GAV

  to 20.0% of the outperformance above 10% per annum IRR to investors multiplied by the net asset value.

  Given the change in the calculation of performance fees, any performance fees already accrued as at the day prior to the Implementation Date will be paid to the manager prior to the implementation of the Proposed Merger
- **Rollover relief**: there are rollover provisions in place for RPF securityholders who elect to claim rollover relief if they do not fully participate in the Withdrawal Facility and have their securities in RPF exchanged for DPF units. As a result of the rollover relief, the capital gain that would otherwise arise if the rollover relief did not apply should effectively be able to be deferred until another capital gains event takes place in respect of the DPF units (e.g. the relevant securityholder subsequently disposes of their DPF units).

The resulting Merged Entity is expected to be a diversified property fund comprising ten properties[4] located in Australia with a GAV of $536m.

Further information on the Merged Entity is provided at Section 5 of this document and Section 5.2 of the Explanatory Memorandum.

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[4] For reporting purposes, the Merged Entity consolidates co-located properties, including the three properties in Busselton and two properties in Balcatta

2 Basis of evaluation

2.1 Guidance

The Directors have decided to commission an independent expert's report in order to assist securityholders to assess whether or not they should approve or reject the Proposed Merger.

We have prepared this report having regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 (RG 111) in relation to the content of expert's reports, and ASIC Regulatory Guide 112 (RG 112) in relation to the independence of experts.

RG 111 provides guidance in relation to the content of independent expert's reports prepared for a range of transactions. In respect of transactions with related parties and other persons of influence, RG 111 states that:

- the assessment of whether the transaction is 'fair and reasonable' should not be applied as a composite test; rather, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable'
- a proposed transaction is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for members to vote for the proposal.

RG 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

2.2 Fairness

In considering the 'fairness' of the Proposed Merger we have assessed whether the value (on a control basis[5]) of a security of RPF is equal to or less than the value (on a minority basis[6]) of the Consideration in the form of an interest in the Proposed Merged Entity at the time of its formation.

2.3 Reasonableness

Our assessment of whether the Proposed Merger is reasonable has had regard to additional factors relevant to the securityholders. Such factors include:

- the relative net asset contribution being made by securityholders of RPF and unitholders of DPF
- the potential impact of the Proposed Merger on RPF securityholders
- the change in the composition and attributes of the underlying assets held by RPF securityholders before and after the Proposed Merger
- changes in the structure of management fee, performance fee and other remuneration arrangements.

2.4 Definition of value

For the purpose of our opinion, we have referred to the concept of market value. Market value is defined as the amount at which the securities in the entities valued would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

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[5] Given 100% of securities in RPF are being acquired

[6] Given less than 50% (less than a controlling interest) is being offered

2.5 Limitations

We have evaluated the Proposed Merger for securityholders as a whole and have not considered the effect of the Proposed Merger on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Merger from the one adopted in this report. Accordingly, investors may reach different conclusions to ours on whether the Proposed Merger is fair and reasonable. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

This report should be read in conjunction with Appendix 1.

3 Profile of RPF

3.1 RPF overview

RPF is an unlisted property fund that currently owns two freehold investment properties; one in Victoria and one in New South Wales, collectively valued at $163.8m[7] as at 30 June 2019, as well as investments in listed property REITs.

RPF generates rental income from its properties and distributions from its listed property fund investments. RPF has been in operation since February 2009 and was formed by combining six property trusts.

3.1.1 Investment objective

RPF's stated objective is to provide securityholders with a steady level of income through periods of change in the economic environment while achieving a total return, inclusive of distribution income and capital growth, above the Property Council of Australia/MSCI Australia Annual Retail Property Index (Unfrozen) published quarterly. RPF intends to achieve this objective by acquiring, actively managing and growing a diversified portfolio of Australian retail assets.

RPF typically holds 70-100% of its assets in direct property, and may hold up to 20% in listed Australian REITs or unlisted property investments, with the balance invested in cash or similar investments.

3.2 Property assets

3.2.1 Overview of properties

RPF currently owns two properties:

1. **Caltex Twin Service Centres**: comprises two separate north and south bound properties (consolidated as one property for reporting purposes) on the M1 Pacific Motorway in New South Wales. Both properties are currently leased and occupied by Caltex. The property was acquired in January 2001
2. **North Blackburn Square Shopping Centre**: a neighbourhood shopping centre in Victoria, occupied by national supermarket retailers and 35 other specialty tenancies. The property was acquired in July 2000.

Key metrics of the RPF portfolio are summarised in the following table.

Table 2: RPF's property portfolio as at 30 June 2019[7]

Portfolio	Valuation[1] ($m)	Lettable area(m^2)	Cap. Rate[1] (%)	WALE[2] (years)	Occupancy (%)
Caltex Twin Service Centres, NSW	97.0[1]	4,286	6.5	19.0	100.0
North Blackburn Square Shopping Centre, VIC	57.0[1]	11,905	6.5	0.8	70.3
Total	**154.0[3]**	**16,191**			
Weighted average[4]			**6.5**	**11.1**	**87.1**

Notes:
1. Value based on latest independent property valuations available as at 30 June 2019
2. WALE – weighted average lease expiry, weighted by gross passing income as at 30 June 2019
3. The value for financial reporting purposes may vary from the independent valuation of the property primarily due to leasing commissions and lease incentives
4. Weighted by net passing income as at 30 June 2019

Source: Australian Unity Management (Management)/RPF and DPF Explanatory Memorandums

[7] excludes the value of its 50% interest in the Waurn Ponds Shopping Centre which was sold by RPF on 3 July 2019 for $145m

3.2.2 Property valuations

RPF has a documented property valuation policy, which is applied to all RPF owned properties. The key principles of the policy are as follows:

- other than in exceptional circumstances, an independent valuation of each property is to be carried out at least once every financial year and where the manager considers the value of the property is likely to have changed by 5%
- valuation reports for the properties are to be staggered throughout the year
- independent valuers are selected from a panel of predetermined firms
- independent valuers must be rotated to ensure a diversity of valuers, with a new valuer required for each property every two years
- an independent valuation must be obtained within two months should the directors of RPF form the view that the value of a property has materially changed
- an independent valuation must be obtained before a property is purchased on an 'as is' and 'as if complete' basis for development properties and on an 'as is' basis for all other properties, with valuations completed no more than three months prior to the exchange of contracts
- where a property has been contracted for sale, the contracted sale price may be adopted instead of an independent valuation
- under extraordinary circumstances, and following formal approval from the Head of Advisory and Valuations (e.g. negotiations for the sale of a property) the valuation cycle for a property can be extended to up to 18 months.

When draft valuation reports are received, they are reviewed by the fund manager for reasonableness. This includes a review of the approach adopted by the valuer and also the assumptions adopted by the valuer. To the extent that the valuation changes by greater than 5%, the Head of Advisory and Valuations is required to approve the valuation, before the valuer issues a final report.

We have set out the historical valuation outcomes for the properties in the table below.

Table 3: Historical valuation summary

Portfolio	Valuation date	Valuation ($m)[1]	Capitalisation rate	WALE[2]
Caltex Twin Service Centres	Nov 2016	$67.5	8.00%	1.7
	Jun 2017	$74.5	7.50%	11.0
	Jun 2018	$88.0	6.75%	10.0
	Oct 2018	$97.0	6.50%	19.7
North Blackburn Square Shopping Centre	Dec 2015	$46.0	7.50%	4.2
	Oct 2016	$54.0	6.50%	3.8
	Oct 2017	$55.2	6.50%	2.9
	Oct 2018	$57.0	6.50%	2.1

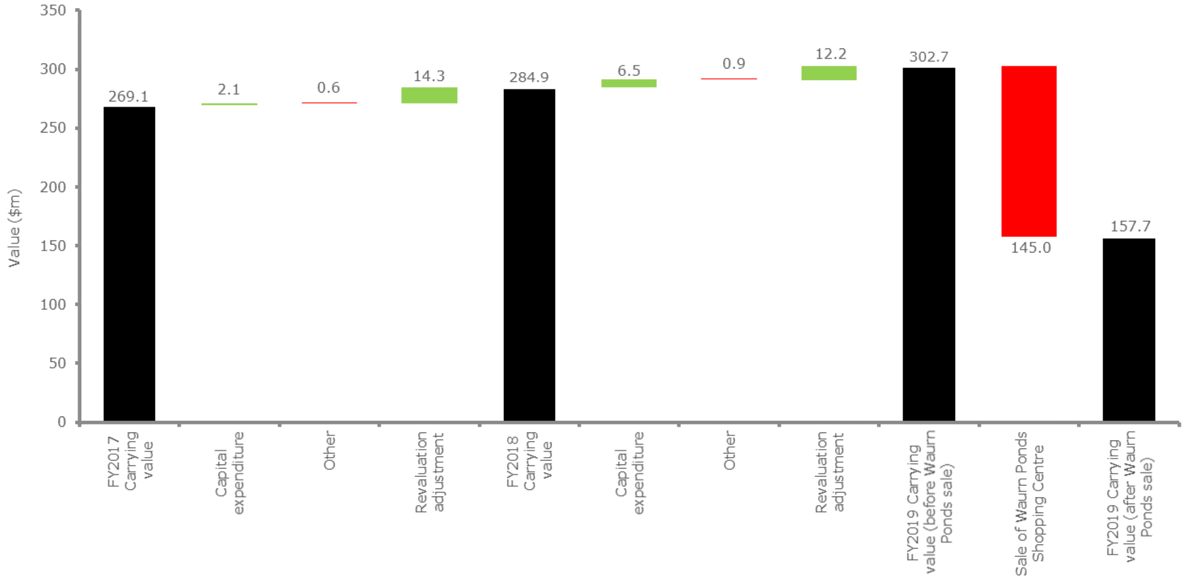
Notes:
1. Reflects values at RPF ownership level
2. As at date of valuation
Source: Independent property valuations

For details of the work undertaken by the independent property valuers, refer to Section 6.2.5 below.

We note that both assets within RPF's current portfolio were valued within 9 months of 30 June 2019.

The following figure presents the changes in the value of the property portfolio over the last two years.

Figure 1: Historical movement in RPF property valuations



Note: The carrying value of Waurn Ponds Shopping Centre as at 30 June 2019 was equal to the sale price
Source: RPF audited and unaudited financials

The portfolio has seen strong increases in valuations over the last two reporting periods, driven predominately by decreases in the capitalisation rate for the Caltex Twin Service Centres, dropping from 7.50% to 6.50%, as a result of the extension in lease term from 10 years to 20 years.

The reduction in capitalisation rates has been driven by new long term leasing and generally strong domestic and international demand for Australian property, with competition for assets and a buoyant transactional market. Further, leasing conditions and net operating income remain sound due to the performance of grocery supermarkets and food retailing anchor tenants.

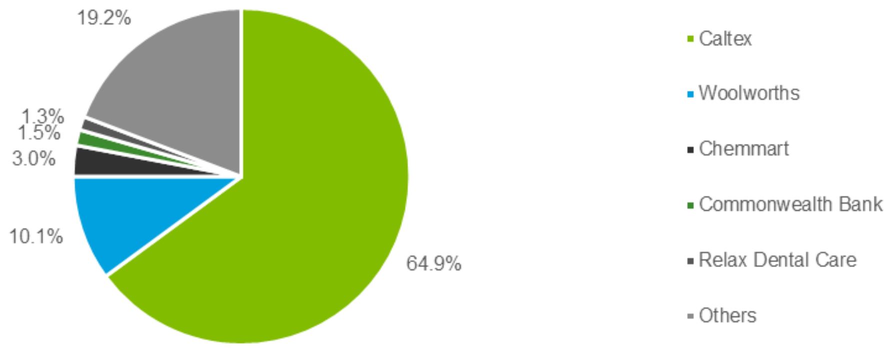
The carrying value of an investment property varies from the independent valuation of the property due to acquisition costs, capital expenditure and the accounting treatment of leasing commissions and lease incentives.

3.2.3 Key tenants

RPF's portfolio comprises approximately 40 retail tenancies, anchored by fuel and supermarket retailers. Approximately 77% of the portfolio was leased to tenants (including the tenant's parent entity) with at least an investment grade credit rating or who are listed on the Australian Securities Exchange.

The following table summarises RPF's key tenants by income as at 30 June 2019, excluding Waurn Ponds Shopping Centre.

Figure 2: RPF's key tenants as at 30 June 2019 (by income), excluding Waurn Ponds Shopping Centre



Source: Australian Unity Management

3.2.4 Development opportunities

RPF has received conditional approval for a Development Application with the City of Whitehorse to redevelop the North Blackburn Shopping Centre. The proposed development will extend the existing North Blackburn Shopping Centre to accommodate the introduction of a major national supermarket operator, which will be another anchor tenant in addition to Woolworths, as well as a medical facility and a food and beverage entertainment precinct. The development is expected to cost approximately $60m (including incentives and leasing fees) over three stages and take approximately two years to complete. Stage 1, estimated at $20m is expected to commence in 2019 and will include the creation of the 4,000m^2 supermarket premises, new amenities and the refurbishment of 12 specialty retailers. The works are expected to take 12 months to complete. The development is expected to result in a short term reduction of rent revenue but higher long term rent revenue.

RPF is continuing to work with the City of Whitehorse to satisfy the remaining conditions of the approval, in order to proceed with the development.

3.3 Management and other fees

AUFML, as the RE, also acts as the investment manager of RPF. The RE is entitled to receive:

- **management fees (excluding GST):** for acting as the Manager of RPF equivalent to 0.93% p.a. of the GAV of the retail securities of RPF and 0.75% of the GAV of the wholesale securities of RPF
- **performance fee:** the performance fee is equal to 12.50% of the amount of return above the benchmark[8] performance in a financial year
- **removal/retirement fees**: of 1% of GAV, representing the fee payable upon retirement or removal (by a vote of the majority of all securityholders eligible to vote) of the RE of RPF
- **termination fee**: of 1% of GAV, upon termination of the fund
- **acquisition fees**: no fees are contractually stipulated for the acquisition of new assets, however we understand that fees are commercially negotiated when assets are acquired
- **other fees**: other fees and costs may be payable by RPF relating to day-to-day expenses incurred by the RE in performing its duties.

[8] The Property Council of Australia/MSCI Australia Annual Retail Property Index (Unfrozen) Published Quarterly

3.4 Investments in listed property trusts

RPF owns investments in three listed REITs: 0.9m units in the Charter Hall Retail Trust, 1.4m units in the Vicinity Centres Trust and 0.9m units in the Shopping Centre Australasia Property Group, which were collectively valued at $9.8m as at 30 June 2019. The units were purchased in FY2016 in order to provide further income from retail investments, with surplus funds generated from the divestment of an investment property.

3.5 Debt facility

RPF has a $70m syndicated debt facility due to expire in April 2020. The facility is secured by a registered mortgage over RPF's properties and is non-recourse to securityholders.

A summary of the key terms of the debt facility are set out below:

- maximum loan to value ratio (LVR) of 50.0% over the entire period of the facility (actual LVR of 39.5% as at 30 June 2019)
- interest coverage ratio greater than 2.0x times (actual interest coverage ratio of 3.08 times as at 30 June 2019)
- interest on the loan is the bank bill reference rate plus a margin
- no principal repayments are required until the end of the loan term.

Subsequent to the sale of the Waurn Ponds Shopping Centre in July 2019, RPF repaid its borrowings and reduced the credit limit of its debt facilities from $145m to $70m. In addition to the above, RPF terminated all of its interest rate swaps and incurred $2.3m in swap break costs. The interest rate swaps were recorded as a $2.2m liability as at 30 June 2019.

3.6 Financial performance

We have summarised the statements of financial performance of RPF for the three years ended 30 June 2017 to 30 June 2019.

Table 4: RPF financial performance

$m	FY2017 Audited	FY2018 Audited	FY2019 Unaudited[1]
Rental income	22.5	24.0	23.9
Property expenses	(6.4)	(6.9)	(7.0)
Net property income	**16.1**	**17.1**	**17.0**
Distribution (and other) income	0.7	0.6	0.6
Total income before fair value movements	**16.8**	**17.8**	**17.6**
Net fair value increment of investment properties	41.9	14.3	12.2
Net fair value gains on financial instruments	(0.5)	0.7	(1.6)
Total income after fair value movements	**58.2**	**32.8**	**28.2**
Responsible Entity management fees	(2.8)	(2.9)	(3.2)
Responsible Entity performance fees	(4.7)	(1.1)	(1.3)
Other expenses	(0.2)	(0.0)	(0.2)
Operating earnings	**50.6**	**28.7**	**23.5**
Finance costs (net of interest income)	(4.0)	(4.3)	(4.7)
Profit attributable to securityholders	**46.6**	**24.4**	**18.7**
Cash distribution per Retail security (cents)	5.0	5.2	5.2
Cash distribution per Wholesale security (cents)	6.9	7.2	7.2

Note:
1. The audited financial results for the year ended 30 June 2019 will be available from the Australian Unity website, australianunity.com.au/wealth/rpf on or about 30 September 2019

Source: RPF audited and unaudited financials

Net property income was relatively stable in FY2019 when compared to FY2018. The higher rental income in FY2018 (relative to FY2017) is the result of turnover rent growth from the sub-tenants at the Caltex Twin Service Centres.

The decrease in total income after fair value movements for FY2019 was primarily attributable to a loss on financial instruments and a smaller increase in the fair value of the investment properties when compared to FY2018.

Future distributions are expected to materially decline as a result of the sale of Waurn Ponds Shopping Centre and the proposed development of the North Blackburn Shopping Centre which is likely to require funding for capex and generate lower income over the period of the development.

Responsible Entity fees comprise (i) management fees which have increased in line with the GAV of RPF (ii) reimbursable day-to-day expenses, which have remained relatively stable during this period and (iii) performance fees, which explain the majority of Responsible Entity fee variance driven by strong outperformance in FY2017 and to a lesser extent in FY2018 and FY2019.

3.7 Financial position

We have summarised the statements of financial position of RPF as at 30 June 2018 and 30 June 2019, and the projected pro-forma statement of financial position, adjusted for the sale of the Waurn Ponds Shopping Centre and the establishment of the withdrawal facility and the one off increase to the withdrawal facility.

Table 5: RPF financial position

$m (unless otherwise stated)	FY2018 Audited	FY2019 Unaudited[1]	Adjust-ments for sale of Waurn Ponds	FY2019 projected post sale of Waurn Ponds	Other Adjust-ments[2]	FY2019 Projected pro-forma
		(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) + (d)
Receivables and prepaid expenses	2.2	2.3		2.3	-	2.3
Payables	(5.7)	(8.5)		(8.5)	(64.0)	(72.5)
Net working capital	**(3.4)**	**(6.1)**		**(6.1)**	**(64.0)**	**(70.1)**
Investment in property trusts	9.9	9.8		9.8	(9.8)	-
Investment properties	284.9	302.7	(145.0)	157.7	(0.7)	157.0
Investment in property assets	**294.8**	**312.5**	**(145.0)**	**167.5**	**(10.5)**	**157.0**
Financial liabilities held at fair value	(0.7)	(2.2)		(2.2)	2.2	0.0
Borrowings	(105.0)	(118.0)	118.2	0.2	(11.2)	(11.0)
less: cash and cash equivalents	3.3	3.0	25.2	28.5	(16.6)	11.9
Net cash (debt)	**(102.4)**	**(117.2)**	**143.7**	**26.5**	**(25.6)**	**0.9**
Net assets attributable to securityholders	**189.0**	**189.1**	**(1.3)**	**187.8**	**(100.1)**	**87.78**
Number of securities	181.8m	173.9m		173.9m	(73.9)m	100.0m
Net assets per security	$1.04	$1.09		$1.08		$0.88
Balance sheet gearing[3]	33.9%	36.2%		n/a		n/a

Notes:
1. The audited financial results for the year ended 30 June 2019 will be available from the Australian Unity website, australianunity.com.au/wealth/rpf on or about 30 September 2019
2. Pro-forma adjustments per the Explanatory Memorandum, which may differ from pro-forma adjustments adopted for our valuation as presented in Sections 6 and 7
3. Calculated as the ratio of net debt divided by total assets.

Source: RPF audited and unaudited financials, Explanatory Memorandum

Total assets increased by $17.5m in FY2019, attributable predominantly to an increase in the value of investment properties, with receivables and investment in property trusts remaining relatively stable. Over the same period $13.0m in additional debt was drawn, resulting in an increase in RPF's gearing.

Over FY2019 a total of 8.8m securities were redeemed by RPF, partially offset by 269,000 new applications. The above result, along with the increase in net assets attributable to securityholders, resulted in a 4.7% increase in the net assets per security to $1.09.

The pro-forma FY2019 financial position presents the impact of the completed sale of RPF's 50% interest in the Waurn Ponds Shopping Centre along with the sale of the investments in REITs held by RPF, with the proceeds being used to repay RPF's borrowings, pay interest rate swap break fees, and fund a special distribution to RPF securityholders ($33.9m). The pro-forma balance sheet also takes into account the expected take-up[9] of the one-off increase to the withdrawal facility of $64m (reflected as a payable, which will then be funded through cash and debt in the Proposed Merged Entity).

The adjustments also include the revaluations of the properties and the transaction costs incurred by RPF as part of the Proposed Merger, including advisory services. Therefore, the pro-forma position effectively reflects the estimated financial position of RPF immediately prior to the Proposed Merger and the net asset position being contributed by RPF. Further information on the pro-forma financial position is set out in Section 5.7 of the RPF Explanatory Memorandum, split between wholesale and retail securities.

3.8 Securities on issue

RPF currently has two classes of securities on issue. As at 30 June 2019, there were 173.9m securities on issue, comprised of 155.6m retail securities and 18.3m wholesale securities. The fund no longer issues retail securities and applications for wholesale securities are currently suspended given the Waurn Ponds sale process. The key differences between the retail and the wholesale securities are the relative net asset entitlement of each class of security arising from the different inception dates for wholesale and retail classes and the differential management fee paid. Otherwise there is no difference in the rights, entitlements and obligations of the two types of securities.

3.8.1 Distribution yield

The cash distributions made to retail and wholesale securityholders along with the implied distribution yields for each class are set out in the table below:

Table 6: RPF Distribution yield

	FY2018 Audited	FY2019 Unaudited[1]
Retail		
Security price as at relevant reporting date[2]	$1.01	$1.06
Distribution yield[3]	6.0%	5.2%
Cash distributions per security (cents)	5.2	5.2
Wholesale		
Security price as at relevant reporting date[2]	$1.26	$1.31
Distribution yield[3]	6.7%	5.8%
Cash distribution per security (cents)	7.2	7.2

Notes:
1. The audited financial results for the year ended 30 June 2019 will be available from the Australian Unity website, australianunity.com.au/wealth/rpf on or about 30 September 2019
2. The security price noted above is based on the net assets attributable to each security class
3. Based on the security price at the start of the financial year.

Source: RPF audited and unaudited financials

The difference in the distribution and the value between the retail and wholesale securities is primarily due to the relative NTA entitlement of each class of security arising from the different inception dates for wholesale and retail classes.

RPF has seen a steady increase in its security value over the last two years, driven by an increase in the value of its properties. Cash distributions per security in FY2018 and FY2019 have remained relatively stable, while the distribution yield has decreased over this period as asset values increased by a greater amount.

[9] At a price of net asset value less a 0.5% sell spread

3.8.2 Security price performance

Security values are determined by reference to the net tangible assets attributable to securityholders in RPF, divided by the total number of securities on issue for the relevant class. Retail and wholesale securities are entitled to equal rights and distributions, however differ with respect to the management fees structure and their share of net tangible assets.

The table below compares the performance of the retail and wholesale securities of RPF to the benchmark, the Property Council of Australia/MSCI Australia Annual Retail Property Index (Unfrozen) published quarterly.

Table 7: RPF relative performance

	FY2017	FY2018	FY2019
RPF retail securities total return net of fees	32.6%	14.3%	9.9%
RPF wholesale securities total return net of fees	32.9%	14.5%	10.2%
The Property Council of Australia/MSCI Australia Annual Retail Property Index (Unfrozen) published quarterly[1]	10.3%	9.1%	5.1%

Note:
1. Calculated based on an annualised return for the year ended 31 March. According to the RPF constitution, RPF's performance fee is based on the latest benchmark data available as at 30 June each year, which would be the benchmark data for the March quarter
Source: RPF audited and unaudited financials, the Property Council of Australia/MSCI Australia Annual Retail Property Index (Unfrozen) published quarterly

RPF outperformed relative to its benchmark over the last three years. In particular, RPF strongly outperformed in FY2017, driven by the revaluation of its investment properties.

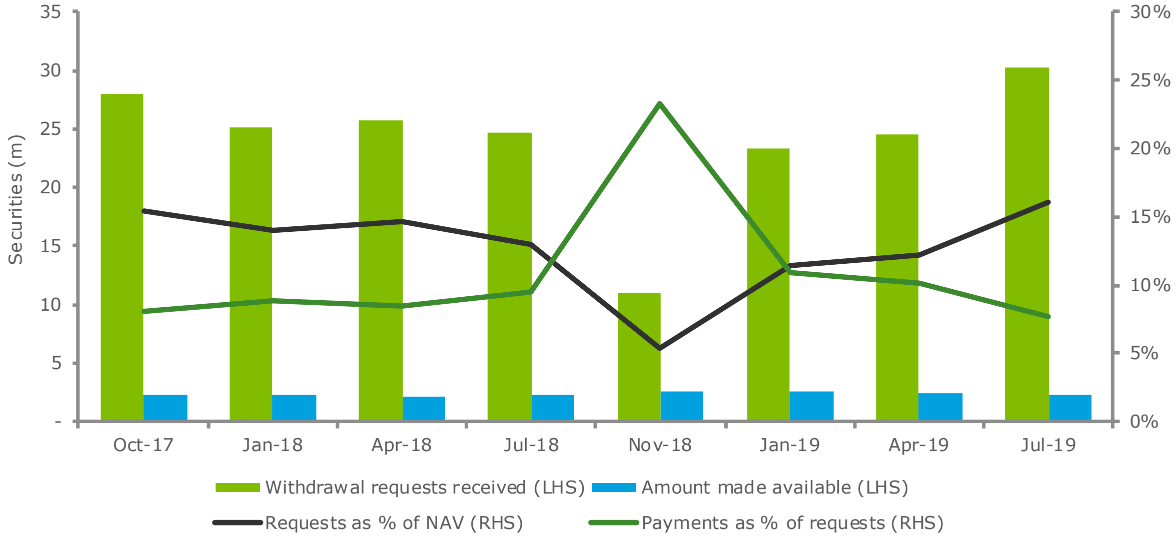
3.8.3 Withdrawal facility

Withdrawals are paid quarterly via a withdrawal facility, with the maximum amount per quarter available for withdrawals capped at 1.25% of the net tangible asset value of RPF. If the withdrawal facility is oversubscribed in any quarter, withdrawals are met on a pro-rata basis at the discretion of RPF. The RE may alter this threshold at its discretion.

The following chart outlines the withdrawal events over the last two years. While the amount made available for withdrawal has remained relatively stable over this period, withdrawal requests have increased over the last two years, leading to the withdrawal facility being consistently oversubscribed, with RPF pro-rating the requests. This was driven by an increase in withdrawal requests from wholesale securityholders, with retail securityholders remaining relatively stable.

The large decrease in withdrawal requests for the November 2018 withdrawal offer was largely attributed to one particular institutional investor who did not request any withdrawals during that quarter. The spike in withdrawal requests in July 2019 was due to greater requests from institutional investors.

Figure 3: RPF withdrawal history



Source: RPF Explanatory Memorandum

4 Profile of DPF

4.1 DPF overview

DPF is a registered unlisted property fund that owns eleven (consolidated for reporting purposes to eight) commercial investment properties across Australia, as well as an investment in an ASX listed property fund, collectively valued at $375.1m as at 30 June 2019. For reporting purposes, DPF consolidates co-located properties, including the three properties in Busselton and two properties in Balcatta.

DPF generates rental income from its properties and receives distributions from its listed property fund investment. Australian Unity Property Limited assumed the role of Responsible Entity when it acquired the management rights of DPF from Westpac Funds Management Limited in October 2010. DPF was originally established in 2003 as the unlisted Westpac-managed FAL Property Trust.

4.1.1 Investment objective

DPF seeks to provide unitholders with a steady and consistent level of income through periods of change in the economic environment. In particular, it aims to return a stable income stream of at least 1% per annum above the average Commonwealth Government 10-year bond yield, calculated on a rolling five-year period. Additionally, it aims to achieve a total return, inclusive of distribution income and capital growth, above the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index.

DPF intends to achieve this objective by maintaining, actively managing and growing a diversified portfolio of Australian commercial property assets, including developing its pipeline of development assets.

DPF typically holds 70-100% of its assets in direct property, may hold up to 15% in listed Australian REITs or up to 20% in unlisted property investments, with the balance invested in cash or similar investments.

4.2 Property assets

4.2.1 Overview of properties

DPF owns eight properties:

1. **20 Smith Street, Parramatta**: a modern eight level office building in New South Wales, with a three level carpark with capacity for 182 vehicles and ground level retail accommodation. The property was acquired by DPF in 2006
2. **278 Orchard Road, Richlands**: predominantly an industrial warehousing and distribution facility in Queensland, the property also has a two level office building and a separate single level office accommodation attached. The property was acquired by DPF in 2003
3. **200 Victoria Street, Carlton**: a modern 6 level office complex in Victoria, with ground level retail suites. The property was acquired in 2014. Whilst DPF has obtained development approval, to extend the property by ~9,000 sqm, management intends to secure a pre-commitment for the majority of the new space before work can commence.
4. **Dog Swamp Shopping Centre**: a neighbourhood shopping centre in Western Australia, occupied predominantly by supermarket retailers Woolworths and ALDI, as well as 36 specialty tenancies. The property was acquired by DPF in 2003
5. **Busselton Central Shopping Centre**: a shopping centre located in the Busselton Central Business District in Western Australia. The Busselton properties are comprised of three separate properties, including a shopping centre, a Target and a Rivers store. For reporting purposes, the properties at Busselton are consolidated into one property. Major tenants include Coles, Target, Rivers, as well as 21 other specialty tenancies. The shopping centre and Kent Street properties were acquired in 2003, with the Target property acquired in 2007 and the Rivers property in 2008. The property is currently being developed in stages including the creation of a specialty mall and a food and beverage precinct

6. **Woodvale Boulevard Shopping Centre**: a single level shopping centre in Western Australia, occupied by major tenant Woolworths and 27 other specialty retailers. The property was acquired by DPF in 2007
7. **19 Corporate Avenue, Rowville**: an industrial warehouse facility in Victoria. The property also has a two level office building attached. The property was acquired by DPF in 2015
8. **6-8 Geddes Street, Balcatta**: an industrial warehouse and distribution facility in Western Australia. The property also includes an adjacent parcel of land (5 Kenhelm St, acquired in 2016), providing opportunities for expansion of the facility. The properties were acquired in 2003.

Key metrics of the DPF portfolio are summarised in the following table.

Table 8: DPF's property portfolio

Portfolio	Valuation[1] ($m)	Lettable area (m²)	Cap. rate (%)	WALE[2] (years)	Occupancy (%)
6-8 Geddes Street, Balcatta[3]	14.0	9,961	7.3	4.3	100.0
19 Corporate Avenue, Rowville	17.5	12,398	6.8	2.8	100.0
Woodvale Boulevard Shopping Centre	31.0	6,378	6.8	5.3	95.6
Busselton Shopping Centre[4]	37.2	9,628	6.8	6.1	90.2
Dog Swamp Shopping Centre	48.5	8,073	6.0	8.8	96.4
200 Victoria Street, Carlton	59.0	7,911	5.8	2.8	100.0
278 Orchard Road, Richlands	59.3	53,000	7.5	2.0	48.2
20 Smith Street, Parramatta	71.0	7,421	6.0	3.2	100.0
Total	**337.4[5]**	**114,770**			
Weighted average[6]			**6.5**	**4.5**	**87.8**

Notes:
1. Value based on latest independent property valuations available as at 30 June 2019
2. WALE – weighted average lease expiry, weighted by gross passing income as at 30 June 2019
3. Includes 8-12 Geddes Street, Balcatta and 5 Kenhelm Street, Balcatta properties in WA
4. Includes Busselton Central Shopping Centre, Busselton Rivers and Busselton Target
5. The value for financial reporting purposes may vary from the independent valuation of the property due to acquisition costs, capital expenditure and the accounting treatment of leasing commissions and lease incentives
6. Weighted by gross passing income as at 30 June 2019

Source: DPF Fund Update June 2019

4.2.2 Property valuations

DPF has a documented property valuation policy, which is followed by all DPF owned properties. This valuation policy is consistent the valuation policy adopted by RPF. Refer to Section 3.2.2 for more details.

We have set out below the historical valuation outcomes for the properties.

Table 9: Historical valuation summary

Portfolio	Valuation date	Valuation ($m)	Capitalisation rate	WALE[1]
8-12 Geddes Street, Balcatta[2]	Sep 2015	12.9	8.25%	3.3
	Sep 2016	13.1	8.00%	2.3
	Sep 2017	12.8	7.50%	1.2
	Oct 2018	14.0	7.25%	3.3
19 Corporate Avenue, Rowville	Apr 2016	16.3	7.25%	6.0
	Jun 2017	16.5	7.25%	4.8
	Jun 2018	17.0	7.00%	3.8
	Jun 2019	17.5	6.75%	2.8
Woodvale Boulevard Shopping Centre	Dec 2015	26.2	7.75%	6.9
	Dec 2016	27.5	7.25%	6.2
	Dec 2017	29.0	6.75%	5.3
	Dec 2018	31.0	6.75%	5.2
Busselton Shopping Centre[3]	Apr 2016[4]	27.7	7.50%	3.5
	Jun 2017[4]	28.2	7.25%	2.5
	Feb 2018	29.5	7.00%	2.9
	Feb 2019	31.6[5]	6.75%	8.4
Busselton Target and Rivers	Sep 2015	5.5	7.50%	2.7
	Sep 2016	5.7	7.50%	2.0
	Sep 2017	5.8	7.50%	1.3
	Aug 2018	5.6	7.28%[6]	0.5[6]
Dog Swamp Shopping Centre	Mar 2016	31.3	7.25%	2.7
	Mar 2017	33.5	7.00%	2.7
	Dec 2017	45.0	6.25%	9.3
	Dec 2018	46.5[7]	6.25%	5.9
200 Victoria Street, Carlton	Apr 2016	47.3	6.50%	6.0
	Jun 2017	50.0	6.25%	4.8
	Jun 2018	52.7	6.00%	3.8
	Jun 2019	59.0	5.75%	2.8
278 Orchard Road, Richlands	Dec 2015	54.5	8.50%	2.5
	Dec 2016	55.3	8.00%	1.5
	Dec 2017	56.5	8.00%	2.0
	Dec 2018	59.3	7.50%	2.1
20 Smith Street, Parramatta	Mar 2016	43.5	8.00%	3.4
	Mar 2017	52.8	7.25%	3.6
	Mar 2018	63.0	6.50%	3.2
	Feb 2019	71.0	6.00%	3.4

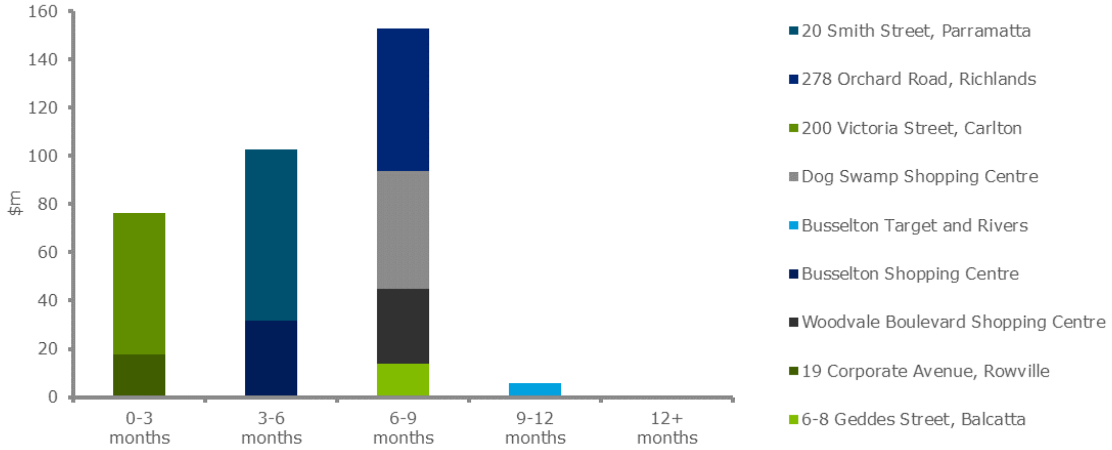
Notes:
1. As at date of valuation
2. Includes 8-12 Geddes Street, Balcatta and 5 Kenhelm Street, Balcatta properties in WA
3. Includes Busselton Shopping Centre and amalgamated Kent Street properties
4. Amalgamated Kent Street properties were valued as at Sep 2016 and this has been included in the WALE calculation
5. $31.6m 'as is' value, $36.8m 'as if development complete' value. The carrying amount reflects the 'as is' value
6. Weighted by gross passing income as at the date of independent property valuation
7. $46.5m subject to existing occupancy arrangements at valuation date, $48.5m subject to execution of a new Woolworths lease which has since been executed
Source: Independent property valuations

The portfolio has seen strong increases in valuations over the last three valuation reporting periods, driven predominately by decreases in capitalisation rates. In particular, the Dog Swamp Shopping

Centre has seen a substantial decrease in its capitalisation rate due to the completion of a redevelopment and a new 15 year lease to ALDI supermarkets. The Parramatta property has also seen a large drop in its capitalisation rate driven by an increase in the market rental income and a buoyant transactional market.

The time since the last property valuation for each asset is presented in the figure below.

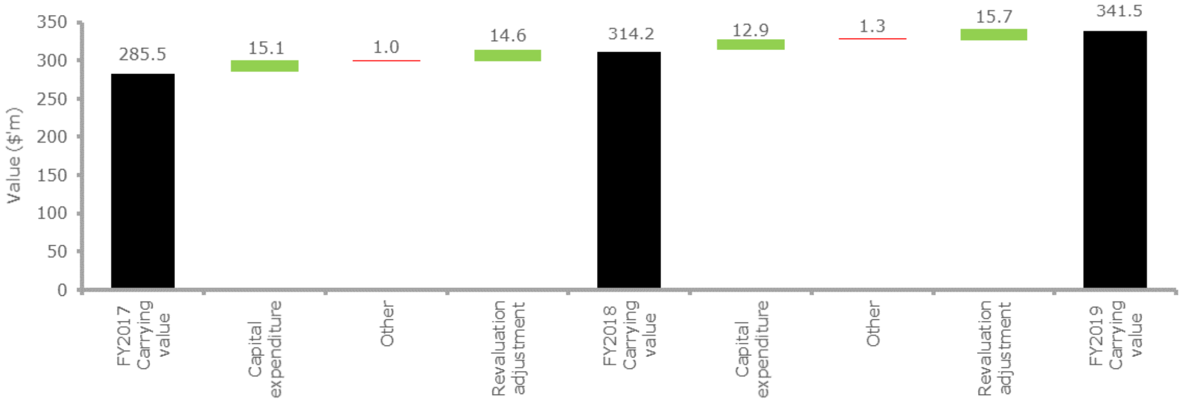
Figure 4: Passage of time since last valuation



Source: Independent property valuations

The following figure presents the movements in the value of the property portfolio over the last two years.

Figure 5: Historical movement in DPF property valuations



Source: DPF audited and unaudited financials

The main driver behind the revaluation adjustments has been the general decrease in capitalisation rates due to two factors; 1. Improved leasing terms and increased WALE; and 2. Strong domestic and international demand for Australian commercial property and competition for assets in a buoyant transactional market. Furthermore, the DPF portfolio has benefited from capital expenditure relating to the completion of redevelopments of assets, as well as improved performance through the management of vacancy rates across office properties, in particular in Sydney and Melbourne where demand for office space continues to remain strong.

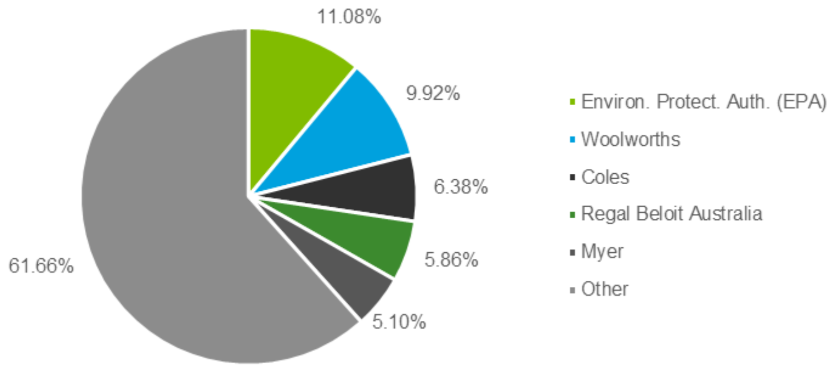
The carrying value of an investment property varies from the independent valuation of the property due to acquisition costs, capital expenditure and the accounting treatment of leasing commissions and lease incentives.

4.2.3 Key tenants

DPF's portfolio has a diverse tenant base across a range of sectors including office, retail and industrial. The portfolio is also geographically diverse, with properties located in New South Wales, Queensland, Victoria and Western Australia. Approximately 60% of the portfolio is located on the eastern seaboard. Currently 70% of the portfolio is leased to tenants (including the tenant's parent entity) with at least an investment grade credit rating or who are listed on the Australian Securities Exchange.

The following table summarises DPF's key tenants by gross passing income.

Figure 6: DPF's key tenants (by income)



Source: DPF Fund Update June 2019

4.2.4 Development opportunities

DPF is currently evaluating two key redevelopments:

- **200 Victoria Street, Carlton:** development approval has been granted for an additional eight levels on top of the existing office complex, resulting in an additional circa 9,000m^2, doubling the lettable area. However, the Carlton redevelopment project is currently on hold. Management has extended the development approval and is seeking for pre-commitments from tenants for the majority of the new space before the redevelopment can commence
- **Busselton Central Shopping Centre**: further progress has been made on the redevelopment. The new Coles supermarket opened late in November 2018 and has been trading above expectations. DPF is working on delivering four new mini-major stores and speciality stores (which required Best & Less to be relocated) in late 2019 and early 2020. Work is continuing to relocate other tenants to create a specialty mall and a food and beverage precinct. This will also require the fund to acquire some neighbouring properties.

4.3 Management and other fees

Australian Unity Property Limited (AUPL) is the RE and manager of DPF and is entitled to receive:

- **management fees**: for acting as the Manager of the fund equivalent to 0.25% to 0.40% of the GAV. The calculated management fee comprises of 0.25% of the Balcatta (excluding the land component), Richlands, Dog Swamp and Busselton Central properties, 0.30% of the GAV of the property securities and 0.40% of all remaining properties and assets.

  AUPL will simplify its management fee to a flat fee of 0.65% of the GAV of DPF rather than the current method which applies a different fee structure to direct property assets, unlisted and listed holdings. The change will take effect on the Implementation Date. We understand that the change will take place irrespective of whether the Proposed Merger is approved
- **performance fees**: the performance fee is equal to 20.0% of the amount of return (based on the net assets of DPF) above the benchmark performance[10] in a financial year multiplied by the GAV of DPF. Subject to the Proposed Merger proceeding, AUPL will change the last component of this performance fee to be multiplied by net asset value of the Proposed Merged Entity. It will also

[10] MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index

change the benchmark performance to 10%. Additionally, the performance fee is subject to the fund recovering any prior underperformance

- **termination fees**: no fees are payable upon retirement or removal (by vote of the majority of all unitholders eligible to vote) of the RE of the fund
- **acquisition fees**: an acquisition fee of up to 1% of the purchase price of real property acquired by DPF (directly or through any subsidiary trusts or companies) will be introduced upon investor approval for the Proposed Merger
- **removal fees**: a removal fee of up to 1% of the GAV of the Fund payable if AUPL is removed as Responsible Entity will be introduced upon investor approval for the Proposed Merger
- **other fees**: other fees and costs may be payable by the fund relating to day-to-day expenses incurred by the RE in performing its duties. These expenses are expected to reduce, as a portion will be encompassed as part of the management fee, as a result of the change to the base management fee.

4.4 Investments in listed and unlisted property trusts

DPF holds 9.5m units in the ASX listed Australian Unity Office Fund (AOF) valued at $28.0m as at 30 June 2019.

4.5 Debt facilty

DPF has a $155m syndicated debt facility comprised of two tranches, expiring in September 2019 and June 2020 respectively. The facility is secured by a registered mortgage over the fund's properties and is non-recourse to unitholders. DPF has is working to receive credit approved term sheets for amendments to DPF's existing debt facilities. The amended debt facilities will only be available on finalisation and execution of full-form financing documents and is subject to the satisfaction of certain conditions, including a successful merger. If the Proposed Merger does not go ahead, it is management's intention that the existing debt facility will remain in place for an extended term, subject to any consents required from the lenders.

As of 30 June 2019, $147.3m of the facility had been drawn down.

A summary of the key terms of the debt facility are set out below:

- maximum loan to value ratio (LVR) of 55.0% over the entire period of the facility (actual LVR of 43.7% as at 30 June 2019)
- interest coverage ratio greater than 1.60x times (actual interest coverage ratio of 2.7 times as at 30 June 2019)
- interest on the loan is the bank bill reference rate plus a margin
- no principal repayments are required until the end of the loan term.

DPF has entered into interest rate swaps to hedge against adverse interest rate movements by swapping the floating rate for a fixed rate. As at 30 June 2019, 61.1% of the drawn debt is hedged with the swaps expiring in 2023 and 2024.

4.6 Financial performance

We have summarised the statements of financial performance of DPF for the three years ended 30 June 2017 to 30 June 2019.

Table 10: DPF financial performance

$m	FY2017 Audited	FY2018 Audited	FY2019 Unaudited[1]
Rental income	28.6	29.2	28.4
Property expenses	(10.3)	(10.8)	(11.7)
Net property income	**18.3**	**18.5**	**16.7**
Distribution (and other) income	1.8	2.0	3.7
Total income before fair value movements	**20.1**	**20.5**	**20.4**
Net fair value increment of investment properties	12.2	14.6	15.7
Net fair value gains on financial instruments	2.3	2.4	(3.2)
Total income after fair value movements	**34.6**	**37.5**	**32.9**
Responsible Entity management fees	(1.0)	(1.0)	(1.2)
Responsible Entity performance fees	(0.1)	(3.3)	(3.7)
Other expenses	(0.6)	(0.6)	(0.9)
Operating earnings	**32.9**	**32.6**	**27.1**
Finance costs (net of interest income)	(6.0)	(6.6)	(5.9)
Profit attributable to unitholders	**27.0**	**26.0**	**21.3**
Cash distributions per unit (cents)	6.7	6.8	6.8

Note:
1. The audited financial results for the year ended 30 June 2019 will be available from the Australian Unity website, australianunity.com.au/wealth/dpf on or about 30 September 2019

Source: DPF audited and unaudited financials

Net property income has decreased by 9.5% in FY2019 to $16.7m. This has been driven by a decrease in rental income due mainly to the loss of the key tenant Coca Cola Amatil who have now vacated from the Richlands Property.

Distribution and other income has increased by 85% in FY2019 to $3.7m, which was predominantly driven by a special distribution received on termination of the Australian Unity Rockdale Property Trust in January 2019.

The positive revaluations of investment properties has grown steadily over the three year period, with valuation increases largely driven by a decrease in capitalisation rates and property improvements.

Responsible Entity fees comprise (i) management fees which have increased in line with the GAV of the fund (ii) reimbursable day-to-day expenses, which have remained relatively stable during this period and (iii) performance fees, which explain the majority of Responsible Entity fee variance driven by strong outperformance in FY2018 and FY2019.

4.7 Financial position

We have summarised the statements of financial position of DPF as at 30 June 2018 and 30 June 2019, and the projected pro-forma statement of financial position reflecting the one-off increase to the capped withdrawal facility, revaluations since 30 June 2019 and transaction costs associated with the Proposed Merger that would be incurred regardless of whether the Proposed Merger proceeds.

Table 11: DPF financial position

$m (unless otherwise stated)	FY2018 Audited	FY2019 Unaudited[1]	Adjustments[2]	FY2019 Projected pro-forma
		(a)	(b)	(c) = (a) + (b)
Receivables and prepaid expenses	2.0	2.3		2.3
Payables	(10.6)	(11.6)	(15.7)	(27.4)
Net working capital	**(8.6)**	**(9.3)**	**(15.7)**	**(25.1)**
Investment in property trusts	27.5	28.0	0.0	28.0
Investment properties	314.2	341.5	3.5	345.0
Investment in property assets	**341.7**	**369.5**	**3.5**	**373.0**
Financial liabilities held at fair value	(2.1)	(8.1)		(8.1)
Borrowings	(142.5)	(147.2)	(3.8)	(151.0)
less: cash and cash equivalents	5.6	3.7	0.0	3.7
Net cash (debt)	**(139.0)**	**(151.6)**	**(3.8)**	**(155.4)**
Net assets attributable to unitholders	**194.1**	**208.5**	**(16.0)**	**192.6**
Number of securities	195.1m	201.4m	(14.6)m	186.8m
Net assets per security	$0.99	$1.04		$1.03
Balance sheet gearing[3]	39.2%	38.2%		38.9%

Notes:
1. The audited financial results for the year ended 30 June 2019 will be available from the Australian Unity website, australianunity.com.au/wealth/dpf on or about 30 September 2019
2. Pro-forma adjustments per the Explanatory Memorandum, which may differ from pro-forma adjustments adopted for our valuation as presented in Sections 6 and 7
3. Calculated as the ratio of net debt divided by total assets

Source: DPF audited and unaudited financials, DPF Explanatory Memorandum

Total assets increased by $26.2m in FY2019, attributable predominantly to an increase in the revaluation of investment properties, with cash and financial assets increasing marginally. Over the same period $4.7m in additional debt was drawn to fund property capital expenditure and withdrawals, however the fund's gearing decreased due to the increase in value of the assets.

Over FY2019 a total of 21.1m units were redeemed, offset by 26.4m in new applications plus 1m units in reinvestments from distributions. The above result, along with the increase in net assets attributable to unitholders resulted in a 4.1% increase in the net assets per security to $1.04.

The pro-forma 2019 financial position presents the expected impact of the once-off increase to the capped withdrawal facility, revaluations since 30 June 2019 and transaction costs of $0.3m associated with the Proposed Merger. Under the capped withdrawal offer, $15m will be made available to meet withdrawal requests[11], which are expected to be paid in October 2019. The Withdrawal Facility is

[11] At a price of net asset value less a 0.5% sell spread

currently reflected as a payable in the pro-forma balance sheet and will then be funded through cash and debt in the Proposed Merged Entity.

The pro-forma position effectively reflects the financial position of DPF immediately prior to the Proposed Merger and the net asset position being contributed by DPF. Further information on the pro-forma financial position is set out in Section 5.7 of the RPF Explanatory Memorandum.

4.8 Units on issue

DPF has 201.4m ordinary units on issue as at 30 June 2019.

4.8.1 Distribution yield

The cash distributions made to unitholders along with the implied distribution yields are set out in the table below:

Table 12: DPF Distribution yield

	FY2017 Audited	FY2018 Audited	FY2019 Unaudited[1]
Ordinary units			
Unit price as at relevant reporting date[2]	$0.93	$0.99	$1.04
Distribution yield[3]	8.5%	7.7%	7.1%
Cash distribution per unitholder (cents)	6.7	6.8	6.8

Notes:
1. The audited financial results for the year ended 30 June 2019 will be available from the Australian Unity website, australianunity.com.au/wealth/dpf on or about 30 September 2019
2. Unit price is representative of the net asset position
3. Based on the unit price at the start of the financial year.

Source: DPF audited and unaudited financials

The fund has seen a strong increase in the unit value of its ordinary units over the last three years, driven by an increase in the value of its properties. Total distributions have been stable during this period. The distribution yield has decreased driven by the relatively faster increase in asset values caused by the reduction in capitalisation rates.

4.8.2 Unit price performance

Unit prices are determined by reference to the net tangible assets attributable to unitholders in the fund, divided by the total number of units. The below table compares the performance of DPF to its benchmark, the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index.

Table 13: DPF relative performance

	FY2017	FY2018	FY2019
DPF ordinary units total return net of fees	17.6%	15.0%	11.2%
MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index	12.0%	12.0%	7.2%

Source: DPF audited and unaudited financials, MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index benchmark data

DPF has outperformed relative to the benchmark over the last three years, driven by distribution returns and net asset growth. Asset growth outperformance was primarily driven by asset valuation uplifts.

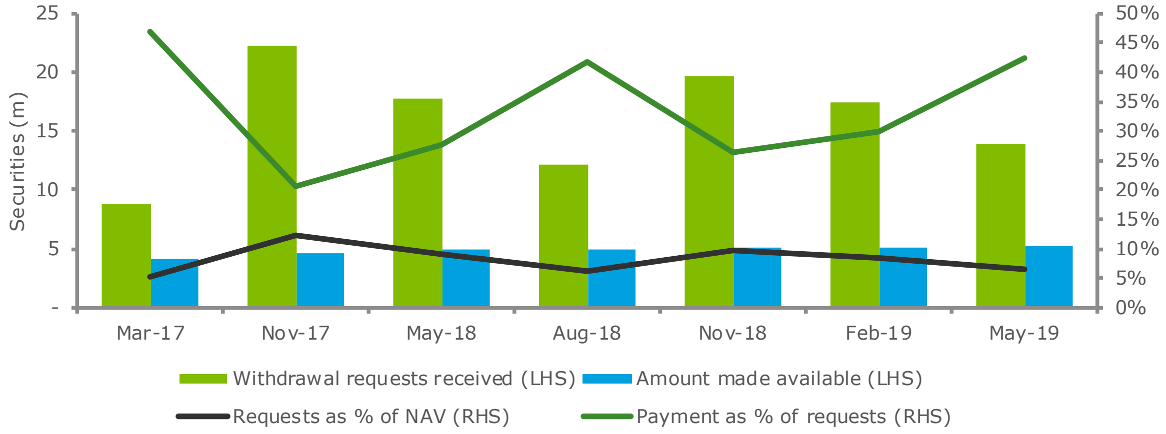
4.8.3 Withdrawal facility

Withdrawals are paid quarterly via a withdrawal facility, with the maximum amount per quarter capped at 2.5% of net tangible assets. If the withdrawal facility is oversubscribed in any quarter, withdrawals are met on a pro-rata basis at the discretion of the fund. The RE may alter this threshold at its discretion.

Previously withdrawals were made available every six months, with DPF amending its withdrawal policy to 2.5% quarterly effective February 2018.

The following chart outlines the withdrawals over the last 2.5 years. While the amount made available for withdrawal has remained relatively steady over this period, withdrawal requests have fluctuated until November 2018. However this trend has reversed over the last three withdrawal periods, the number of withdrawal requests has steadily declined, with the drop largely attributable to lower requests from institutional holders.

Figure 7: DPF withdrawal history



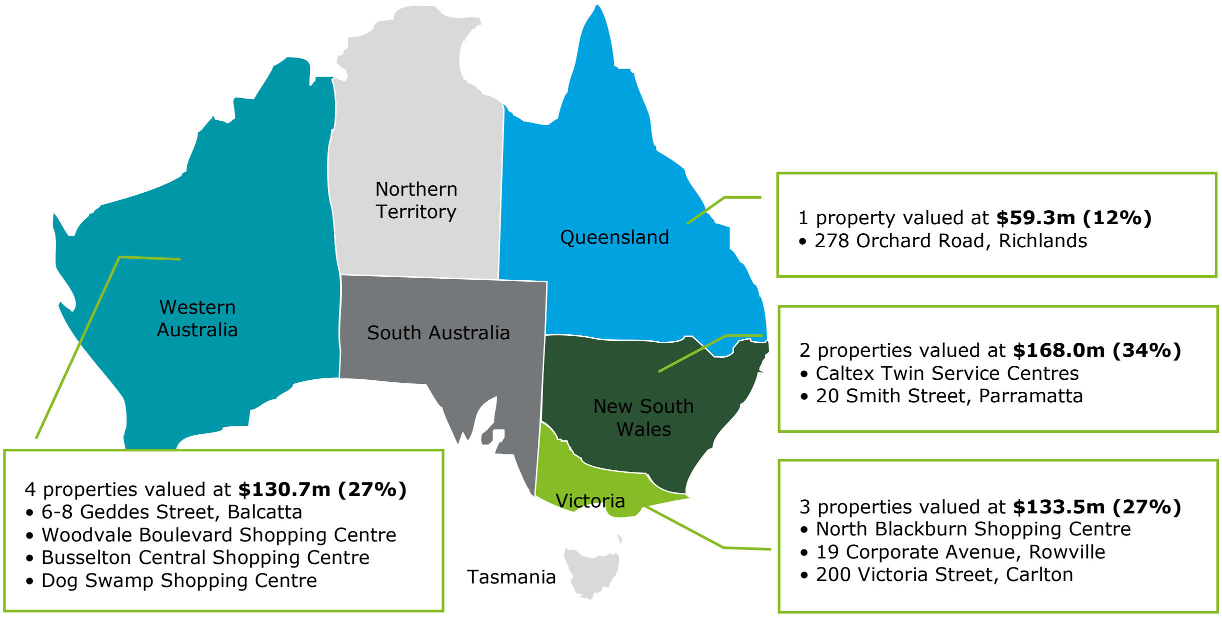
Source: DPF Explanatory Memorandum

5 Profile of the Proposed Merged Entity

5.1 Overview of the Proposed Merged Entity

The Proposed Merged Entity will include the two properties of RPF and the eight[12] properties of DPF plus listed property investments. The Proposed Merged Entity is expected to be geographically diversified between Queensland, New South Wales, Victoria and Western Australia, as presented in the figure below.

Figure 8: Proposed Merged Entity portfolio summary



Source: RPF and DPF 30 June 2019 Fund updates

The Proposed Merged Entity is expected to benefit from additional scale, having a larger more diversified property portfolio, as presented in the key portfolio metrics and sector allocation below.

Table 14: Proposed Merged Entity key metrics

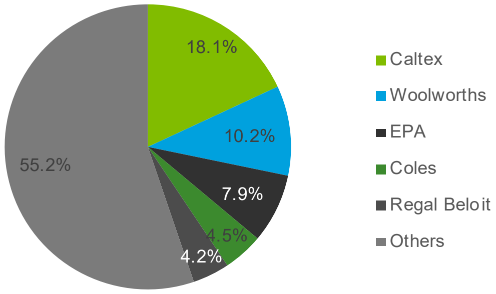
	Unit	
GAV	$m	537.0
Net tangible asset value	$m	279.2
Number of assets	no.	10.0[9]
Occupancy	%	87.6
WALE[1]	years	6.5
Gearing ratio	%	43.4[2]
Projected distribution per unit for the year to 30 June 2020	cents	6.4

Note:
1. WALE – weighted average lease expiry, weighted by gross passing income as at 30 June 2019
2. Assuming the withdrawal facilities provided by DPF and RPF are fully subscribed

Source: Explanatory Memorandum

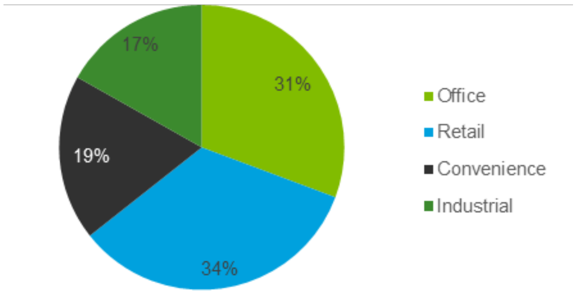
[12] For reporting purposes, DPF consolidates co-located properties, including the three properties in Busselton and two properties in Balcatta

Figure 9: Proposed Merged entity key tenants (by income)



Source: Management

Figure 10: Proposed Merged entity sector allocation



Source: RPF and DPF Explanatory Memorandum

5.2 Proposed fee structure

Should the Proposal proceed, the Proposed Merged Entity will amend its performance fee structure and introduce an acquisition and termination fee. AUPL as RE will be entitled to receive:

- **management fees:** for acting as the manager of the fund equivalent to 0.65% of the GAV
- **performance fees:** if the Proposed Merged Entity outperforms its benchmark in a financial year. The performance fee is equal to 20.0% of the amount of return (based on the net assets of the Proposed Merged Entity) in excess of a threshold performance return of 10% per annum, subject to earning back any prior underperformance
- **removal fee**: payable if the RE is removed (by a vote of the majority of all unitholders eligible to vote), equal to 1% of GAV
- **acquisition fees**: for the purchase of established property and land assets, equivalent to 1% of the purchase price
- **other fees**: other fees and costs may be payable by the fund relating to day-to-day expenses incurred by the RE in performing its duties.

5.3 Pro-forma financial position

We have summarised the pro-forma statement of financial position of the Proposed Merged Entity in the table below.

Table 15: Proposed Merged Entity financial position

$m (unless otherwise stated)	RPF Pro-forma	DPF Pro-forma	Adjustments[1]	Proposed Merged Entity Pro-forma
	(a)	(b)	(C)	(D) = (A) + (B) + (C)
Receivables and prepaid expenses	2.3	2.3		4.7
Payables	(72.5)	(27.4)	80.5	(19.4)
Net working capital	**(70.1)**	**(25.1)**	**80.5**	**(14.7)**
Investments in property trusts		28.0		28.0
Investment properties	157.0	345.0		502.0
Investment in property assets	**157.0**	**373.0**		**530.0**
Financial liabilities held at fair value	0.0	(8.1)		(8.1)
Borrowings	(11.0)	(151.0)	(68.7)	(230.7)
less: cash and cash equivalents	11.9	3.7	(13.0)	2.6
Net debt	**0.9**	**(155.4)**	**(81.7)**	**(236.2)**
Net assets attributable to unitholders	**87.8**	**192.6**	**(1.2)**	**279.1**
Number of securities	100.0m	186.8m		272.0m
Net assets per security (or unit)	$0.88	$1.03		$1.03
Balance sheet gearing[3]	n/a	38.9%		42.5%

Notes:
1. Pro-forma adjustments per the Explanatory Memorandum, which may differ from pro-forma adjustments adopted for our valuation as presented in Sections 6 and 7
2. Calculated as 186.8m units + (100.0m securities x proposed exchange ratio of 0.8297 for RPF retail securities and 1.0255 for wholesale securities)
3. Calculated as net debt to total assets. Unamortised borrowing costs is estimated at $136,000 for DPF pre-merger and $2.1m for the proposed merged entity
Source: Explanatory Memorandum

The table above presents the pro-forma statements of financial position of RPF and DPF as presented in Table 5 and Table 11, respectively. These are combined and transaction adjustments applied in order to present the Proposed Merged Entity pro-forma statement of financial position.

The adjustments reflect the redemption of the expected level of withdrawal requests from the total withdrawal facilities of $79m. This is expected to be funded by cash and additional debt. The remaining impact is due to stamp duty and refinancing costs associated with the Merger.

6 Valuation of RPF

6.1 Selection of valuation methodologies

To estimate the market value of a RPF security, we have:

- estimated the market value of RPF on a net assets on a going concern basis.

  The net assets on a going concern basis approach is commonly used in valuing property investment trusts and other asset holding businesses. We are of the opinion that this approach is the most appropriate methodology to value RPF. In addition, the assets of RPF (predominately the properties) are the subject of periodic revaluations. Further discussion of these revaluations is provided in Section 3.2 and Section 6.2.5.

  We have made adjustments based on projected pro-forma impacts reflecting the sale of Waurn Ponds, one-off increase to the capped withdrawal facility, revaluations since 30 June 2019, transaction costs associated with the Proposed Merger, capitalised costs included in the book value of investment properties and borrowings and revaluation of investments in property trusts

- considered whether it is appropriate to apply a portfolio premium to reflect the scale and efficiencies of a larger property portfolio

- deducted the capitalised operating costs reflecting the costs associated with the management of the properties and financing of the properties

- divided the net asset value of RPF by the number of securities to obtain the net asset value of one security in RPF.

The valuation methodologies available to value entities such as RPF are set out in Appendix 2.

6.2 Valuation of RPF

In order to arrive at the market value of RPF, some adjustments are required for the following:

1. Certain transactions RPF intends to undertake prior to the Proposed Merger
2. Changes in assets and liabilities between 30 June 2019 and the Implementation Date
3. Certain amounts included in the net assets of RPF at 30 June 2019 that we consider a prospective investor in RPF would seek to adjust in assessing the market value of RPF.

Our assessment of the market value of RPF, reflecting the adjustments summarised above, is set out in the following table.

Table 16: Valuation of RPF

$m	Reference	Low value	High value
Net assets as at 30 June 2019	6.2.1	189.1	189.1
Adjustments			
Adjustment relating to sale of Waurn Ponds	6.2.2	(1.3)	(1.3)
Net assets as at 30 June 2019 (post sale of Waurn Ponds)		**187.8**	**187.8**
Adjustments			
Estimated distribution to securityholders from proceeds on sale of Waurn Ponds	6.2.3	(33.9)	(33.9)
Swaps mark-to-market and break fees	6.2.4	(0.2)	(0.2)
RPF revaluations between July and October 2019	6.2.4	-	3.9
Performance fee	6.2.6	-	-
Transaction costs	6.2.7	(0.3)	(0.3)
Withdrawal offer	6.2.8	(64.0)	(64.0)
Capitalised costs included in book value of investment properties and borrowings	6.2.9	(0.5)	(0.5)
Revaluation of investment in property trusts	6.2.10	0.6	0.6
Market value of RPF (before premiums/discounts and deduction of capitalised operating costs)		**89.5**	**93.4**

Source: Deloitte Corporate Finance analysis

6.2.1 Net assets as at 30 June 2019

The value of RPF's net assets as at 30 June 2019 is based on the aggregate of the following:

- the value of RPF's property portfolio including investment in property trusts as at 30 June 2019 as recorded in the financial statements of RPF as at 30 June 2019, as presented in Section 3.7
- the market value of RPF's other balance sheet items, such as cash, borrowings, receivables and payables. Based on discussions with the executives of AUFML and noting some of the adjustments we make below, the NTA of RPF has not changed materially in the period since 30 June 2019.

We note the financial statements of RPF as at 30 June 2019 have been subject to an audit by PwC.

All profits from 1 July 2019 to the Implementation Date will be paid out to RPF securityholders.

6.2.2 Pro-forma adjustments for sale of Waurn Ponds Shopping Centre

The sale of Waurn Ponds Shopping Centre is expected to impact RPF's financial position in the following manner (as outlined in the Explanatory Memorandum):

- sale of Waurn Ponds Shopping Centre for a price of $145.0m less $1.3m selling costs, resulting in gross proceeds of $143.7m
- less carrying value in the financial statements of Waurn Ponds Shopping Centre of $145.0m.

The net impact of the above is a decrease in the net asset position of RPF of $1.3m.

6.2.3 Pro-forma adjustments for estimated distribution to securityholders

Of the gross proceeds from the disposal of the interest in Waurn Ponds Shopping Centre, $118.2m has been used to pay down debt and $33.9m has been returned to securityholders as a special distribution (in order to allow them to meet the tax liabilities associated with the disposal of the asset). The special distribution was funded by $24m of RPF's existing cash balance plus $10m in debt.

6.2.4 Swaps mark-to-market and break fees

The settlement of the interest rate swaps is expected to impact RPF's financial position in the following manner:

- Cash has been used to fund to settle the interest rate swap liability of $2.3m in July 2019, resulting in no net asset impact
- Fair value movement of the mark-to-market interest rate swaps of $2.2m as at 30 June 2019 and the value of the interest rate swap of $2.3m at settlement date, being $0.2m.

The net impact of the above is a decrease in the net asset position of RPF of $0.2m.

6.2.5 Pro-forma adjustments for RPF revaluations between July and October 2019

Supporting the net assets of RPF are independent property valuations. Independent property experts, Savills Valuations Pty Ltd (Savills) and CBRE Valuations Pty Limited (CBRE) were engaged by AUFML to prepare valuation reports for the assessment of the value of RPF's North Blackburn Shopping Centre and Caltex Twin Service Centre, respectively.

We have undertaken a review of the independent property valuations, along with holding discussions with executives of the AUFML, and have concluded that:

- the protocols that are used by the manager to commission independent property valuations are sufficiently robust and appropriately address perceived and actual conflicts of interest
- the valuations are undertaken by suitably qualified and credentialed firms and personnel who have experience in valuing similar assets and knowledge of the markets in which the assets are located
- from our review of the valuations:
  - the valuation methods used and applied are consistent with those generally applied in the industry and based on our experience. Both the discounted cash flow and capitalisation of net income approaches have been used as the primary approaches. The valuation conclusion had regard to the results of each primary methodology
  - the assumptions and valuation metrics used by the valuer are not unreasonable and not inappropriate for the purpose of estimating the market value of the property.

Accordingly, we consider that the property valuations provide a reasonable estimate of the market value of RPF's property portfolio as at the relevant date of the valuations.

As set out in Section 3.2.2, we note that both the North Blackburn Shopping Centre and the Caltex Twin Service Centres were valued more than 6 months prior to 30 June 2019. Based on our experience, the capital expenditure incurred or anticipated to be incurred at the properties (in particular North Blackburn Shopping Centre which has commenced early works for development) and having regard to market movements in the period since the last valuations were prepared, we consider an adjustment in the range of 0% to 2.5% for these properties would not be unreasonable.

The net impact is in the range of nil and $3.9m.

Independent valuations dated 16 October 2019 will be obtained by AUFML for each property and adopted for the purposes of calculating the net tangible asset value of each RPF security.

6.2.6 Pro-forma adjustment for performance fees

AUFML is not expected to be entitled to a performance fee prior to the merger of the funds.

6.2.7 Pro-forma adjustments for transaction costs

Total costs associated with the Proposed Merger include:

- $0.6m of budgeted or committed costs to be incurred regardless whether the Proposed Merger is successful
- $2.1m of refinancing costs comprising a debt establishment fee which will be incurred once the refinancing becomes effective. The refinancing will occur prior to the expiry of current debt facilities in FY2020
- $0.9m of costs relating to stamp duty to be paid by the Proposed Merged Entity.

For the purposes of the valuation of RPF prior to the Proposed Merger, we do not consider it appropriate to take account of the refinancing and debt establishment costs and stamp duty costs (as these costs will only be incurred if the Proposed Merger goes ahead). In respect of the budgeted or committed costs to be incurred regardless of whether the Proposed Merger is successful, both RPF and DPF have incurred costs of $0.3m per fund.

6.2.8 Pro-forma adjustments for withdrawal offer to RPF securityholders

The Withdrawal Facility is expected to result in the redemption of securities[13] up to the value of $64.0m which decreases the net assets of RPF. Management believes that all of the withdrawal offer will be utilised by RPF investors, based on soundings from specific investors and stratifying the remaining investors with reference to their historical redemption behaviour.

6.2.9 Capitalised costs included in book value of investment properties and borrowings

The book value of investment properties includes capitalised leasing commissions or lease incentives (such as cash, rent-free periods, lessee or lessor owned fit outs) of $0.3m. These capitalised costs do not reflect any value which is not already incorporated into the fair value of the properties and in our opinion should not be reflected in market value of the fund.

The book value of the unamortised establishment cost of the previous debt facility of $0.2m has been deducted to reflect the actual amount of debt due.

6.2.10 Revaluation of investment in property trusts

RPF intends to sell its interests in various listed property trusts with a book value of $9.8m. The current market value of the securities is $0.6m higher than book value.

[13] At a price of net asset value less a 0.5% sell spread

6.3 Valuation of RPF's securities

As discussed above, RPF has two types of securities – Retail securities and Wholesale securities. The management fees relating to the securities vary and as such the value of the relevant security needs to take account of this variation.

Set out in the table below is a summary of our translation of the estimated value of RPF down to the estimated value of a RPF retail security and a RPF wholesale security:

Table 17: Valuation of RPF Retail and RPF Wholesale securities

	Reference	Unit	Low value	High value
Market value of RPF (before portfolio premiums and deduction of capitalised operating costs)		**$m**	**89.5**	**93.4**
Retail securities				
Implied split of RPF value	6.3.1	%	87.3%	87.3%
Market value of RPF retail securities (before portfolio premiums and deduction of capitalised operating costs)		**$m**	**78.2**	**81.5**
Premium to NTA	6.3.2	$m	-	-
Capitalised operating costs	6.3.3	$m	(10.8)	(5.4)
Market value of RPF retail securities (on a going concern, control basis)		**$m**	**67.4**	**76.2**
Number of RPF retail securities following exercise of withdrawal offers	6.3.4	m	88.4	88.4
Market value of one RPF retail securities		**$**	**0.76**	**0.86**
Wholesale securities				
Implied split of RPF value	6.3.1	%	12.7%	12.7%
Market value of RPF wholesale securities (before portfolio premiums and deduction of capitalised operating costs)		**$m**	**11.4**	**11.8**
Premium to NTA	6.3.2	$m	-	-
Capitalised operating costs	6.3.3	$m	(1.3)	(0.6)
Market value of RPF wholesale securities (on a going concern, control basis)		**$m**	**10.1**	**11.2**
Number of RPF wholesale securities following exercise of withdrawal offers	6.3.4	m	11.5	11.5
Market value of one RPF wholesale securities		**$**	**0.87**	**0.97**

Source: Deloitte Corporate Finance analysis

6.3.1 Value of net assets attributable to retail and wholesale securityholders

RPF's net assets have been split between retail and wholesale securityholders with reference to the relative share of NAV as at 30 June 2019 implied by multiplying the number of units in each class and the relevant unit prices determined by the manager on the day immediately prior to 30 June 2019.

6.3.2 Portfolio premium

Each property owned by RPF has been valued on a standalone basis. The underlying valuations of the properties represent a "control" value (i.e. assume 100% ownership of each asset). It is, therefore, not appropriate to add an additional "premium for control" in considering the value of the individual assets of RPF.

A large diversified property portfolio can provide scale and greater efficiencies (as well as risk mitigation) that would not otherwise be available through ownership of an individual property and, as a result, a market participant may be willing to pay a premium for a portfolio of assets when compared to the aggregate market value of the same assets on a standalone basis. Set out at Appendix 3 is our analysis of the premium to net assets paid in recent transactions. The results are mixed because the premium to net assets can also be influenced by numerous other factors which can vary over time.

Although portfolio premiums for other reasons may be appropriate, in the case of RPF which only own two properties, we do not consider it appropriate to include any portfolio premium.

6.3.3 Capitalised operating costs

Other adjustments are required to assess the market value of net assets as at 30 June 2019. The strategy development, management, compliance function and reporting of RPF is undertaken by the manager on behalf of the RE, for which RPF pays a base management fee (refer to Section 3.3).

We consider that any prospective buyer would incur costs associated with the management of the properties along with managing the financing of the properties (until the properties are ultimately divested) and therefore we consider it reasonable to deduct a portion of the capitalised value of such costs in assessing the value of RPF.

We have applied the following assumptions in determining the appropriate adjustment:

- ongoing expenses: we have calculated the base management fee based on the current management fee arrangement for existing RPF securityholders (i.e. 0.93% p.a. for Retail units and 0.75% p.a. for Wholesale units) and applied this to the pro-forma share of GAV for Retail and Wholesale units. We have excluded performance fees paid given historical volatility in terms of timing and magnitude

- capitalisation rate: 6.50%, based on the weighted average capitalisation rate (WACR) of the underlying valuations of the properties at North Blackburn Square Shopping Centre and Caltex Twin Service Centres determined by independent valuers (i.e. excluding Waurn Ponds Shopping Centre).

For the reasons noted above (namely the costs of managing the assets and the fund, which would be incurred by any prospective buyer until the assets are disposed), we consider that a market participant would include these costs when considering the acquisition of RPF.

However, noting that these costs would not accrue to unitholders without some expectation of benefits the manager brings to the fund or conversely, in the context of a buyout of the fund or its assets, some avoidance of costs on the part of a prospective buyer, we have assumed that 25% to 50% of the capitalised value of such costs should be reflected in the market value of the fund.

6.3.4 Number of securities

The number of retail and wholesale securities has been determined based on the pro-forma number of securities on issue after redemption of securities under the Withdrawal Facility of $64m which is forecast to be fully utilised.

7 Valuation of the Consideration

7.1 Introduction

To estimate the market value of the Consideration, we have:

- estimated the market value of the Proposed Merged Entity on a net assets on a going concern basis.

  The net assets on a going concern basis approach is commonly used in valuing property investment trusts and other asset holding businesses. We are of the opinion that this is the most appropriate methodology to value the Proposed Merged Entity. The assets of the Proposed Merged Entity, which will comprise the assets of RPF and DPF (predominately the properties), are the subject of periodic revaluations. Further discussion of these revaluations is provided in Section 4.2 and Section 7.2.3.

  We have made adjustments based on projected pro-forma impacts reflecting the one-off increase to the capped withdrawal facility, revaluations since 30 June 2019, performance fee liability, transaction costs associated with the Proposed Merger, capitalised costs included in the book value of investment properties and borrowings and revaluation of investments in property trusts.

- considered whether it is appropriate to apply a discount to reflect the fact that RPF securityholders will be receiving a minority, but significant, interest in the Proposed Merged Entity

- deducted the capitalised operating costs reflecting the costs associated with the management of the properties and financing of the properties

- divided the net asset value of the Proposed Merged Entity by the number of units on issue immediately after implementation to obtain the net asset value of one unit in the Proposed Merged Entity.

7.2 Valuation of the Proposed Merged Entity

We have estimated the current market value of the net assets of the Proposed Merged Entity by aggregating the current market value of the property portfolio and other assets and liabilities, net of an estimate of the market value of ongoing operating costs and other adjustments. In our assessment of the current market value of the Proposed Merged Entity, we have also considered whether it is appropriate to apply a portfolio premium.

Our assessment of the market value of the Proposed Merged Entity is set out in the following table:

Table 18: Valuation of the Proposed Merged Entity

	Reference	Unit	Low value	High value
Market value of RPF[1]	**7.2.1**	**$m**	**89.5**	**93.4**
DPF net assets as at 30 June 2019	**7.2.2**	**$m**	**208.5**	**208.5**
Adjustments in respect of market value of DPF				
Pro-forma adjustments for DPF revaluations July – October 2019	7.2.3	$m	-	7.9
Performance fee	7.2.4	$m	(0.7)	(0.7)
Pro-forma adjustments for transaction costs	7.2.5	$m	(0.3)	(0.3)
Pro-forma adjustments for DPF withdrawal offers	7.2.6	$m	(15.0)	(15.0)
Less capitalised costs included in book value of investment properties and borrowings	7.2.7	$m	(0.1)	(0.1)
Revaluation of investment in property trusts	7.2.8	$m	0.5	0.5
Market value of DPF[1]		**$m**	**192.8**	**200.7**
Total market value of RPF and DPF[1]		**$m**	**282.4**	**294.1**
Transaction costs (Refinance and debt establishment costs)	7.2.5	$m	(2.1)	(2.1)
Stamp duty	7.2.9	$m	(0.9)	(0.9)
Premium to NTA	7.2.10	$m	-	14.6
Capitalised operating costs	7.2.11	$m	(26.7)	(13.3)
Market value of Proposed Merged Entity (on a going concern, control basis)		**$m**	**252.6**	**292.3**

Note:
1. Before premiums/discounts and capitalised operating costs
Source: Deloitte Corporate Finance analysis

7.2.1 RPF net assets as at 30 June 2019

Our calculation of the market value of the net assets being contributed by RPF is set out in Section 6.2.

7.2.2 DPF net assets as at 30 June 2019

The value of DPF's net assets as at 30 June 2019 is based on the aggregate of the following:

- the value of DPF's property portfolio including investment in property trusts as at 30 June 2019 as recorded in the financial statements as at 30 June 2019, presented in Section 4.7
- the market value of the DPF's other balance sheet items, such as cash, borrowings, receivables and payables. Based on discussions with the executives of AUPL and noting some of the adjustments we make below, the NTA of DPF has not changed materially in the period since 30 June 2019.

We note the financial statements of DPF as at 30 June 2019 have been subject to an audit by PwC.

All profits from 1 July 2019 to the Implementation Date will be paid prior to the date of implementation.

7.2.3 Pro-forma adjustments for DPF revaluations between July and October 2019

For the purposes of our valuation, we have considered the property valuations prepared by independent property valuers in line with DPF's valuation policy.

We have undertaken a review of the independent property valuations, along with holding discussions with executives of the AUPL, and have concluded that:

- the protocols that are used by the manager to commission independent property valuations are sufficiently robust and appropriately address perceived and actual conflicts of interest
- the valuations are undertaken by suitably qualified and credentialed firms and personnel who have experience in valuing similar assets and knowledge of the markets in which the assets are located
- from our review of the valuations:
  - the valuation methods used and applied are consistent with those generally applied in the industry and based on our experience. Both the discounted cash flow and capitalisation of net income approaches have been used as the primary approaches. The valuation conclusion had regard to the results of each primary methodology
  - the assumptions and valuation metrics used by the valuer are not unreasonable and not inappropriate for the purpose of estimating the market value of the property.

Accordingly, we consider that the property valuations provide a reasonable estimate of the market value of DPF's property portfolio as at the relevant date of the valuations.

As set out in Section 4.2.2, a large portion of the DPF portfolio was valued more than 6 months prior to 30 June 2019. Based on our experience, the capital expenditure incurred or anticipated to be incurred at the properties (in particular at Bussleton) and having regard to market movements in the period since the last valuations were prepared, we consider an adjustment in the range of 0% to 5.0% for these properties would not be unreasonable.

The net impact is in the region of nil and $7.9m.

Independent valuations dated 16 October 2019 will be obtained by AUPL for each property and adopted for the purposes of calculating the net tangible asset value of each DPF unit.

7.2.4 Performance fees

AUPL will be entitled to a performance fee as a result of the revaluation of properties ($0.7m). This amount represents the previous under accrual as at 30 June 2019 as a result of lower than forecast actual benchmark for June 2019. This amount has been reflected in DPF's unit price in mid-July.

7.2.5 Pro-forma adjustments for transaction costs

The transaction costs total $0.6m and are set out in Section 6.2.7. In our assessment of the value of RPF, we took account of $0.3m of merger costs, representing RPF's budgeted or committed merger costs. Similarly, DPF's budgeted or committed merger costs is $0.3m. However, in the context of considering the value of the Proposed Merged Entity, we consider it appropriate to take account of all the costs, comprising debt establishment costs ($2.1m) given they will be incurred in the formation of the Proposed Merged Entity.

The net impact is a decrease in net asset position of DPF of $0.3m, and a decrease of $2.1m to the Proposed Merged Entity.

7.2.6 Withdrawal offer to DPF unitholders

The Withdrawal Facility offer is expected to result in the redemption of units in DPF to the value of $15.0m[14]. This is reflected as an increase in payables, as well as a corresponding decrease in the number of units on issue within the fund. Management believes that all of the withdrawal offer will be utilised by DPF investors, based on intentions communicated by specific investors.

7.2.7 Capitalised costs included in book value of investment properties and borrowings

There are no capitalised leasing commissions or lease incentives (such as cash, rent-free periods, lessee or lessor owned fitouts) capitalised on the balance sheet and as such no adjustment is necessary.

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[14] At a price of net asset value less a 0.5% sell spread

The book value of the unamortised establishment cost of DPF's previous debt facility of $0.1m has also been deducted from the net asset value.

7.2.8 Revaluation of investments in property trusts

DPF holds interests in various listed and unlisted property trusts with a book value of $28.0m. The current market value of the securities is $0.5m higher.

7.2.9 Stamp duty

The Proposed Merged Entity is expected to pay stamp duty of $0.9m on the acquisition of RPF's underlying properties, which we have deducted in order to arrive at the value of the Proposed Merged Entity. There are rollover provisions in place for RPF's income tax profile such that the underlying assets retain their existing tax cost base.

7.2.10 Portfolio premium

Each property owned by RPF and DPF has been valued on a standalone basis. The underlying valuations of the properties represent a "control" value (i.e. assume 100% ownership of the assets). It is, therefore, not appropriate to add an additional "premium for control" in considering the value of the Proposed Merged Entity.

A large diversified property portfolio can provide scale and greater efficiencies (as well as risk mitigation) that would not otherwise be available through ownership of an individual property and, as a result, a market participant may be willing to pay a premium for a portfolio of assets when compared to the aggregate market value of the same assets on a standalone basis. Set out at Appendix 3 is our analysis of recent transactions of the premium to net assets paid in those transactions. The results are mixed because the premium to net assets can also be influenced by other factors which can vary over time.

We have adopted a portfolio premium to the net asset value of the Proposed Merged Entity in the range of 0% to 5%, which we consider appropriate to be applied based on the following reasons:

- the Proposed Merged Entity will have a total of ten[15] properties, with overall diversification including exposure across a number of property sectors including office, retail, industrial and convenience sectors
- the investment property portfolio is diversified across four Australian states, including NSW, WA, VIC and QLD
- economies of scale and synergies are expected from the significant increase in the net tangible asset value after implementation. Examples of such benefits could include lower administration costs and an ability to attract additional funding (potential debt funders are likely to be interested in lending larger sums) and at a lower cost
- the costs avoided and the time saved with replicating a portfolio of ten[15] properties with a market value of almost $492m based on valuations as at 30 June 2019.

7.2.11 Capitalised operating costs

The strategy development, management, compliance function and reporting of the Proposed Merged Entity will be undertaken by the manager on behalf of the RE, for which the Proposed Merged Entity pays a base management fee (refer to Section 5.2). We consider that any prospective buyer would incur costs associated with the management of the properties along with managing the financing of the properties (until the properties are ultimately divested) and therefore we consider it reasonable to deduct a portion of the capitalised value of such costs in assessing the value of the Proposed Merged Entity.

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[15] Properties consolidated for reporting purposes

We have estimated this cost by capitalising the operating costs using the following assumptions:

- ongoing expenses: we have applied the pro-forma base management fee of 0.65% to the pro-forma GAV of the Proposed Merged Entity. Consistent with Section 6.3.2, we have excluded performance fees paid given historical volatility in terms of timing and magnitude.
- capitalisation rate: 6.50%, being the WACR of the Proposed Merged Entity as at 30 June 2019, utilised in the underlying valuations of the properties held by RPF and DPF as at 30 June 2019.

For the reasons noted above (namely the costs of managing the assets and the fund, which would be incurred by any prospective buyer until the assets are disposed), we consider that a market participant would adjust for these costs when considering the acquisition of the Proposed Merged Entity. However, noting that these costs would not accrue to unitholders without some expectation of benefits the manager brings to the fund or conversely, in the context of a buyout of the fund or its assets, some avoidance of costs on the part of a prospective buyer, we have assumed that 25% to 50% of the capitalised value of such costs should be reflected in the market value of the Proposed Merged Entity.

7.3 Valuation of a security in Proposed Merged Entity

Set out in the table below is a summary of our translation of the value of the Proposed Merged Entity to the value of a security in the Proposed Merged Entity:

Table 19: Valuation of a security in the Proposed Merged Entity

	Reference	Unit	Low value	High value
Market value of Merged Entity (on a going concern, control basis)		**$m**	**252.6**	**292.3**
Discount for lack of control	7.3.1	%	-%	5.0%
Adjusted market value of Proposed Merged Entity from the perspective of RPF securityholders		**$m**	**252.6**	**277.7**
Units on issue in Proposed Merged Entity	7.3.2	m	272.0	272.0
Market value of one unit in Proposed Merged Entity from the perspective of RPF securityholders		**$**	**0.93**	**1.02**
Proposed exchange ratio – Retail[1]			0.8297	0.8297
Proposed exchange ratio – Wholesale[1]			1.0255	1.0255
Value of consideration for one Retail security			**0.77**	**0.85**
Value of consideration for one Wholesale security			**0.95**	**1.05**

Note:
1. Number of DPF units received per RPF unit exchanged
Source: Deloitte Corporate Finance analysis

7.3.1 Discount for lack of control or liquidity

Given that the values of the underlying properties to be owned by the Proposed Merged Entity have been determined on a control basis, we consider that our valuation of the Proposed Merged Entity represents a control value on a going concern basis.

In assessing an appropriate discount, we have considered the following:

- Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. A minority interest discount is the inverse of a premium for control and generally ranges between 15% and 30%
- it is common in the property trusts sector for securities to trade at or close to net asset value and consequently the level of control premium (and conversely minority discount) is limited. This is due to a number of factors including the fact that property trusts are required to distribute the

majority of their profits and therefore there is limited additional value in having control over distributions

- RPF securityholders are expected to hold a 31.3% interest in the Proposed Merged Entity, upon implementation of the Proposal. The collective interest RPF securityholders will have in the Proposed Merged Entity could be considered to be a significant minority interest, which could allow some level of influence over the management of the Proposed Merged Entity

- there will be limited change in operational control for RPF securityholders. The Proposed Merged Entity will continue to be managed by an external manager. RPF’s RE, AUFML, and DPF’s RE, Australian Unity Property Limited, are both wholly-owned subsidiaries of Australian Unity Limited, and hence there is some degree of common influence over the operations of DPF and this is likely to also be the case with the Proposed Merged Entity

- the Proposed Merged Entity will be unlisted and unitholders can redeem on a quarterly basis at net asset value to the extent of the redemption facility that will be made available to unitholders on a regular basis (capped withdrawal facility of $27.9m per annum).

Having regard to the above, we consider a discount in the range of nil% to 5% necessary.

7.3.2 Number of units in the Proposed Merged Entity

The number of units in the Proposed Merged Entity has been calculated based on the exchange of securities in RPF for DPF units at the proposed exchange ratios, plus existing DPF units after completion of the Withdrawal Facility.

Appendix 1: Context to the report

Individual circumstances

We have evaluated the Proposed Merger for RPF securityholders as a whole and have not considered the effect of the Proposed Merger on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Merger from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Merger is fair and reasonable. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of AUFML and is to be included in the Explanatory Memorandum to be given to securityholders for approval of the Proposed Merger. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Merger outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the securityholders and AUFML, in respect of this report, including any errors or omissions however caused.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Merger is fair and reasonable to, and is the best interests of, RPF securityholders. Deloitte Corporate Finance consents to this report being included in the Explanatory Memorandum.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by AUFML and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to AUFML management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by AUFML and its officers, employees, agents or advisors, AUFML has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which AUFML may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by AUFML and its officers, employees, agents or advisors or the failure by AUFML and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Merger.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of AUFML personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for RPF, DPF and the Proposed Merged Entity included in this report has been prepared on a reasonable basis in accordance with the requirements of ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of RPF, DPF and the Merged Entity referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employee of Deloitte Corporate Finance principally involved in the preparation of this report was Tapan Parekh, Partner, B.Bus, M.Comm, CA, F.Fin. Tapan has many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Independence disclosure

In the interests of transparency, we disclose that we have also been appointed as the independent expert to provide our opinion as to whether the Proposed Merger is fair and reasonable to DPF unitholders. Our opinion is contained in a separate report included in an explanatory memorandum provided to DPF unitholders.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- AUFML proposes to issue an Explanatory Memorandum in respect of the Proposed Merger between RPF and DPF
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Memorandum for review (Draft Explanatory Memorandum)
- it is named in the Explanatory Memorandum as the 'independent expert' and the Explanatory Memorandum includes its independent expert's report in Section 15 of the Explanatory Memorandum.

On the basis that the Explanatory Memorandum is consistent in all material respects with the Draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert's report in Section 15 of the Explanatory Memorandum and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert's report as included in Section 15.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- explanatory memorandum to be provided to RPF securityholders
- explanatory memorandum to be provided to DPF unitholders
- audited financial statements for RPF and DPF for the years ending 30 June 2017 and 30 June 2018
- unaudited financial statements for RPF and DPF for the year ending 30 June 2019
- Independent property valuation reports
- RPF and DPF Fund Updates as at 30 June 2019
- RPF wholesale securities Product Disclosure Statement dated 25 June 2014
- RPF wholesale securities Supplementary Product Disclosure Statements dated 30 September 2017
- DPF Product Disclosure Statement dated 30 September 2018
- RPF and DPF Management Services Agreements dated 2012
- Australian Unity Valuation Policy dated May 2018
- publicly available information, media releases and broker reports on Australian Unity and the property industry/sectors.

In addition, we have had discussions and correspondence with certain directors and executives, including Andrew Kanis, Senior Legal Counsel; Mark Lumby, Head of Commercial Property; Nikki Panagopoulos, Fund Manager and Amanda Chung, Portfolio Analyst, as well as Darren Mann, Independent non-conflicted director of RPF; Kirsty Dullahide; Kendall Vine and Adnan Gilnac from the RPF Management Committee, in relation to the above information and to current operations and prospects.

Appendix 2: Valuation methodologies

Common market practice and the valuation methodologies which are applicable are discussed below.

Market based methods

Market based methods estimate an entity's market value by considering the market price of transactions in its securities or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of an entity's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates market value based on an entity's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the entity's earnings are relatively stable.

The most recent share trading history provides evidence of the market value of the securities in an entity where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of an entity than other valuation methods because they may not account for entity specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting an entity's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of an entity based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates market value by determining the amount that would be distributed to securityholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not necessarily be appropriate.

The net assets on a going concern basis method estimates the market values of the net assets of an entity, does not take account of realisation costs, but has regard to ongoing costs that may be associated with maintaining the business or entity as a going concern.

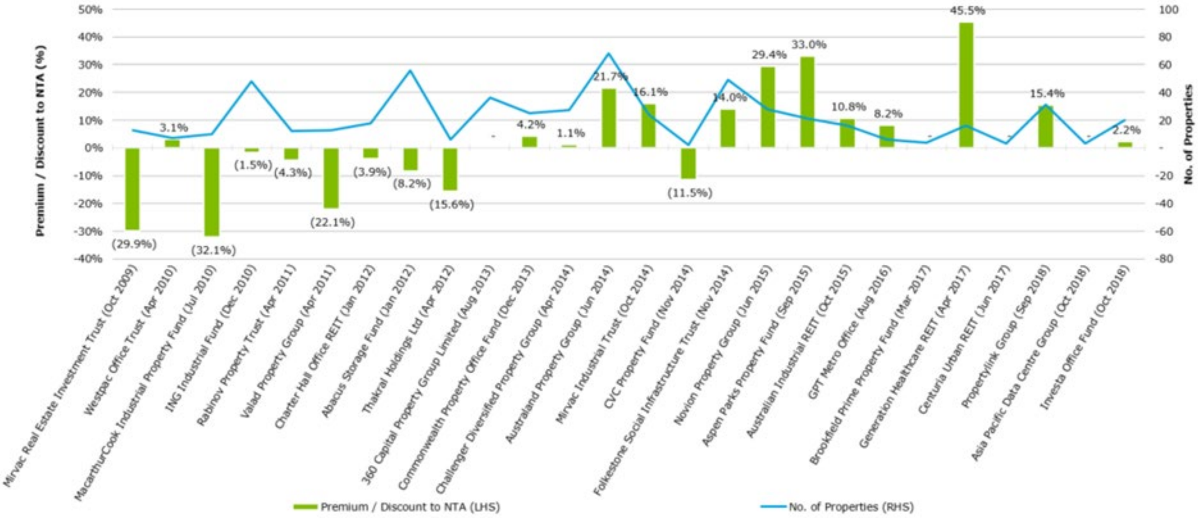
These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its tangible assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of an entity's assets are liquid, or for asset holding companies.

Appendix 3: Premiums and discounts to the market value of the properties

In considering the extent to which it is appropriate to apply a premium or discount to the aggregated value of the property portfolio of the Proposed Merged Entity, we have considered market evidence on the extent to which a market participant may be willing to pay a premium for a portfolio of investment properties as compared to the aggregate market value of the same investment properties on a standalone basis. In the absence of public information on unlisted REITs, we have had regard to comparable listed REITs which have been the subject of control transactions as a point of reference.

We considered the premium or discount to NTA observed in transactions involving ASX listed REITs, as set out in the figure below.

Figure 10: Premiums or discounts to NTA from transactions



Sources: Capital IQ and Deloitte Corporate Finance analysis

We make the following observations in relation to the above transactions:

- given the limited number of transactions that have occurred in this sector, we have looked at transactions going back a relatively long period of time. However, we have placed the most weight in our analysis on transactions that occurred over the last three years
  - over the period 2009 to 2012, market conditions were more challenging than today. A number of REITs were in a deleveraging phase requiring capital injections and, therefore, the transactions reflect an element of distress which resulted in a number of transactions occurring at significant discounts to NTA
  - since 2012, market conditions have improved and most transactions during this period have taken place at a premium to NTA, albeit that some transactions have shown very small premiums to NTA, and that in a rising market, some element of the transaction premium could relate to time differences between the transaction announcement and the most recent property valuations
- over the past three years, most transactions have involved REITs owning more than 10 properties. In addition, the higher premium to NTA implicit in the price paid in the Generation Healthcare REIT transaction is reflective of the fact that a number of properties were under development and nearing completion, yet their valuation uplift (from the development activities) was not included in the NTA figure
- the premium implicit in the Propertylink Group transaction relates primarily to the fund management activities which were not included in the NTA.

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16. GLOSSARY

TERM	DEFINITION
AEDT	Australian Eastern Daylight Time.
AMIT	Attribution Managed Investment Trust
AMMA statement	AMIT Member Annual statement
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange.
AUFML	Australian Unity Funds Management Limited ABN 60 071 497 115.
AUPL	Australian Unity Property Limited ABN 58 079 538 499.
Australian Unity Group	Australian Unity Limited ABN 23 087 648 888 and its related bodies corporate.
Base Management Fee	The 'Base Management Fee' payable to the Responsible Entity under the Constitution.
Capped Withdrawal Facility	The Capped Withdrawal Facility offered by AUPL from time to time to investors in DPF.
Conditions	The following Conditions must be met in order for the Proposal to proceed: 1. all Resolutions must be passed by the requisite majorities; 2. all resolutions must be passed at a meeting of Unitholders of DPF scheduled to be held at 2:30pm AEDT on 23 October 2019; and 3. the Merged DPF Refinancing.
Constitution	The constitution of the Fund.
Corporations Act	Corporations Act 2001 (Cth).
October 2019 Withdrawal Facility	The withdrawal facility which AUFML has notified Securityholders will be available for them to apply to redeem some or all of their investment in the Fund.
Deloitte	The independent expert is Deloitte Corporate Finance Pty Limited (a network member firm of Deloitte Touche Tohmatsu Limited).
DPF	Australian Unity Diversified Property Fund ARSN 106 724 038.
Exchange Ratio	NTA per Security divided by NTA per DPF Unit.
Explanatory Memorandum or EM	This explanatory memorandum enclosed with the Notice of Meeting issued by AUFML on 23 September 2019 including any attachments and schedules for the Fund.
FFO	Funds From Operations is a term used by the Property Council of Australia definition which adjusts statutory Australian International Financial Reporting Standards net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, rental straight-line adjustments and other unrealised on-off items.
Foreign Investor	Securityholders in the Fund who are resident in a jurisdiction other than Australia.

TERM	DEFINITION
Fund	Australian Unity Retail Property Fund ARSN 133 632 765.
Gross Asset Value	The gross value of the Fund’s assets determined in accordance with the Fund’s Constitution.
Independent Expert	The appointed independent expert is Deloitte Corporate Finance Pty Limited.
Independent Expert’s Report	The report provided by Deloitte Corporate Finance Pty Limited in relation to the Proposal.
Implementation Date	The date upon which the Proposal is implemented.
IPO	An Initial Public Offering is a type of public offering in which capital is raised from institutional and retail investors. An IPO is underwritten by one or more investment banks, who also arrange for the units to be listed the Australian Securities Exchange.
Meeting	The four meetings of Securityholders in each of the Fund and the RPF Schemes that are to be held concurrently to consider and if thought fit pass the necessary Resolutions in respect of each of the Fund and the RPF Schemes.
Merged DPF Refinancing	The existing facility agreement between the DPF RE and its lenders being amended as described in section 5.3.1 of this EM, and the term "Merged DPF Refinances" has a corresponding meaning.
NLA	The Net Lettable Area of an asset.
Notice of Meeting	The Notice of Meeting sent to Securityholders on 23 September 2019 in respect of the Meeting.
NTA	Net tangible assets, being the value of assets of the Fund (or DPF as the context requires), less the liabilities of the Fund (or DPF as the context requires) and less the intangible assets of the Fund (or DPF as the context requires) from time to time.
Objectives	To increase the distribution yield, increase the diversification of assets and increase the likelihood of raising further equity to reinvest back into the assets, fund potential developments, acquire additional assets, and providing liquidity to Securityholders who elect to exit their investment.
Offer	The offer of Units in DPF under (and as contemplated by) the PDS and SPDS.
PDS and Supplementary PDS	The Product Disclosure Statement dated 18 September 2019 and Supplementary Product Disclosure Statement dated 23 September 2019 for the issue of Units in DPF by AUPL.
Pre-merger distribution	The cash payment to the Securityholders of all or some of the income of the Fund that will have accrued before the merger implementation date as determined by the Responsible Entity under the Fund’s Distribution Policy.
Proposal	The Proposal is to: • merge the Fund with DPF whereby DPF will acquire all securities on issue in the Fund, based on the net tangible asset value of the Fund as at the Implementation Date; and • subject to the merger proceeding, provide a once-off increase to the October 2019 Withdrawal Facility such that the Withdrawal Facility is $64 million.
Proxy Form	The proxy form accompanying the Notice of Meeting.

TERM	DEFINITION
Resolutions	Each of the resolutions in respect of each of the Fund and the RPF Schemes in connection with the Proposal to be considered by Securityholders in each of the Fund and the RPF Schemes at the Meeting as set out in the Notice of Meeting.
Responsible Entity	AUFML, as the responsible entity of the Fund or AUPL as responsible entity of DPF, as the context requires.
RPF	Australian Unity Retail Property Fund and the schemes that form part of RPF as defined as RPF Schemes
RPF Schemes	Each scheme which forms part of the Fund being • Australian Unity Retail Property Trust ARSN 086 218 199; • Australian Unity Property Syndicate East West ARSN 091 941 061; and • Australian Unity Gillies Street Trust ARSN 103 267 447.
Security	A security in the Fund, provided through the issue of a stapled security and represents a unit holding in each of the RPF Schemes. The Fund currently has on issue Retail Securities and Wholesale Securities.
Securityholder	A registered holder of Retail or Wholesale Securities in the Fund.
Special Distribution	A $33.86 million special distribution paid to the Fund's Securityholders, associated with the sale of the Waurn Ponds Shopping Centre.
Transaction Costs	Costs associated with the Proposal including: • Transaction Costs incurred and/or paid by the Fund prior to the Implementation Date. These include legal, accounting and other advisory services in developing the Proposal, totalling approximately $0.3 million. These Transaction Costs will reduce the Fund's NTA per Security by approximately 0.2%. • On the Implementation Date, DPF will incur stamp duty on the acquisition of all Securities in the Fund and refinancing costs totalling approximately $1.2 million. This will reduce DPF's NTA per Unit by approximately 0.4%. As the Fund's Securities will be exchanged for DPF Units before DPF incurs stamp duty and refinancing costs, existing Securityholders in the Fund will effectively pay a portion of DPF's Transaction Costs upon acquiring Units in DPF.
Unit	A unit in each of the RPF Schemes or DPF as the context requires.
Unitholder	A registered holder of Units in DPF.
WALE	Weighted Average Lease Expiry by income
Withdrawal Facility	The facility made available by AUFML from time to time under which Securityholders can apply to redeem some or all of their Securities in the Fund and, where the context allows, includes the October 2019 Withdrawal Facility.
Withdrawal Facility Booklet	The form under which Securityholders may request a redemption of Securities under the Withdrawal Facility.

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