

Charter Hall Direct PFA Fund

Product disclosure statement

An unlisted property fund with an established and growing portfolio of income generating Australian office properties anchored by government tenants.
APIR Code MAQ5880AU

Important information

Product disclosure statement

This PDS relates to an offer to invest in Charter Hall Direct PFA Fund (ARSN 097 860 690), APIR Code MAQ5880AU (Fund). The Fund is a registered managed investment scheme under the Corporations Act. Applicants may submit an application to subscribe for Ordinary Units at any time while this PDS is on issue.

This PDS is dated 16 August 2017. Unless otherwise specified, all financial and operational information contained in this PDS is stated as at the date of this PDS.

ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS. You should read this PDS in full before deciding whether to invest in the Fund. If you are in doubt as to how to interpret or deal with this document, you should consider consulting your financial adviser, stockbroker or other professional advisers.

Responsible Entity

Charter Hall Direct Property Management Limited (ABN 56 073 623 784, AFSL 226849) (Responsible Entity or CHDPML) is the issuer of this PDS and the Ordinary Units offered pursuant to this PDS. The Responsible Entity has appointed Charter Hall Holdings Pty Limited (ABN 15 051 363 547) to act as manager of the Fund (Manager).

Custodian

The Responsible Entity has appointed The Trust Company Limited (ABN 59 004 027 749, AFSL 235148) as the custodian of the Fund (Custodian). The Custodian's role is limited to holding the assets of the Fund as agent of the Responsible Entity. The Custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. In accordance with the terms of the Custody Agreement, the Custodian has no liability or responsibility to you for any act done or omission made. The Custodian makes no statement in this PDS and has not authorised or caused the issue of it.

Eligibility

The Offer made in this PDS is available only to those persons receiving this PDS (electronically or otherwise) within Australia or New Zealand. No action has been taken to register Units or otherwise permit a public offering of Units in any jurisdiction outside Australia or New Zealand.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this PDS in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this PDS who are not in Australia or New Zealand should seek advice on and observe any such restrictions in relation to the distribution or possession of this PDS. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Other than as permitted by law, investments in the Fund will only be accepted on receipt of an Application Form.

Cooling off period

Direct Investors who are not Wholesale Clients have a 14-day cooling off period.

New Zealand

Please refer to section 12 for additional information for New Zealand investors.

Master trust or wrap accounts

The Responsible Entity authorises the use of this PDS as disclosure to Indirect Investors who access the Fund through an IDPS or IDPS-like scheme (known commonly as a master trust or wrap account) or nominee or custody service and those investors may rely on this PDS. Individuals or entities who invest in the Fund through a master trust or wrap account do not become Direct Investors. The operator or custodian of the master trust or wrap account (IDPS Operator) will be recorded as the Investor in the Investor Registry and will be the person who exercises the rights and receives the benefits as an Investor. Reports and documentation relating to the Fund will be sent to the IDPS Operator. Investors using these services should be aware that they may be subject to different conditions from those set out in this PDS, particularly in relation to:

- arrangements for the application for and transfer of Units;
- fees and expenses; and
- distribution calculation and timing.

Indirect Investors in master trusts or wrap accounts should contact their adviser or IDPS Operator with any queries relating to an investment in the Fund using these services.

No investment advice

The information contained in this PDS is not financial product advice. The information contained in this PDS is general information only and does not take into account your investment objectives, financial situation and particular needs.

It is therefore important that you read this PDS in full before deciding whether to invest in the Fund and take into consideration your investment objectives, financial situation and particular needs. If you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.

Forward looking statements

This PDS contains forward looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied in such forward looking statements. Past performance is not a reliable indicator of future performance.

Disclaimer

An investment in Ordinary Units is not an investment in, or a deposit with or other liability of, the Responsible Entity or any other member of Charter Hall Group and is subject to investment and other risks, including possible delay in repayment and loss of income and capital invested. None of the Responsible Entity, the Manager, Charter Hall Group, the Custodian or any of their respective directors, officers or associates gives any guarantee or assurance as to the performance of the Fund or the underlying assets of the Fund or the repayment of capital from the Fund or any particular rate of capital or income return from the Fund.

No representations other than contained in this PDS

You should only rely on the information in this PDS when deciding whether to invest in the Fund. No person is authorised to give any information or to make any representation in connection with the Fund that is not contained in this PDS. Any information or representation not contained in this PDS may not be relied upon as having been authorised by the Responsible Entity in connection with the Fund.

Investment risks

You should read this PDS in full before deciding whether to invest in the Fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers. Each Applicant shall be considered to have read and understood section 6 of this PDS.

PDS availability

This PDS may be viewed online on the Fund's website. If you access the electronic version of this PDS, you should ensure that you download and read this PDS in full. A paper copy of this PDS is available free of charge to any person in Australia by calling Charter Hall Group on 1300 652 790 (local call cost).

Updated information

Information in this PDS may change from time to time. Information that has changed in relation to the Fund that is not materially adverse but which the Responsible Entity wishes to provide to Investors, will be made available on the Fund's website. A printed copy of any updated information will be available from the Responsible Entity free of charge upon request by calling Charter Hall Group on 1300 652 790 (local call cost). The Responsible Entity may issue a supplementary product disclosure statement to supplement any relevant information not contained in this PDS, in accordance with its obligations under the Corporations Act. Any supplementary product disclosure statement and updated information should be read together with this PDS. A copy of any supplementary product disclosure statement and other information regarding the Fund will be made available on the Fund's website and a printed copy will be available from the Responsible Entity free of charge upon request.

Continuous disclosure

In accordance with ASIC Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations', the Responsible Entity advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Investors may access material information regarding the Fund from the Fund's website.

Pictures of properties in this PDS

Unless otherwise specified, all pictures of properties in this PDS are pictures (and in respect of the front cover and where labelled, artist's impressions) of buildings or properties which are assets (directly or indirectly) of the Fund.

Defined terms and financial information

Definitions of certain terms used in this PDS appear in the Glossary in section 13. References to currency are to Australian currency unless otherwise specified, and references to times are to Australian Eastern Standard Time (AEST) unless otherwise specified. Unless otherwise stated or implied, references to dates or years are financial year references. Any discrepancies between totals and sums and components in tables contained in this PDS are due to rounding. Metrics have been rounded to the nearest whole number unless otherwise stated.

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Thinking of investing? This is why

7.25%¹
p.a.

income forecast
on the current
Portfolio

**Focus on
income yield**

100%²

**Portfolio
occupancy**

9.2 years²

**Weighted
average lease
expiry (WALE)**

**Quality portfolio
anchored by
government
tenants**

**Monthly
distributions
with a proportion
of tax-deferred
income**

**Income and
capital growth
potential**

**Low correlation
to equities**

**Initial five year
investment term**

**There are risks
inherent in every
investment**

- ▶ **Direct property funds offer investors the potential for strong returns and low volatility. Commercial property provides an attractive alternative investment to residential property, shares and term deposits. These asset classes have different liquidity and risk profiles. Refer to section 6 for some of the key risks associated with the Fund.**

Note:

1. Forecast distribution of 7.25% per annum over the forecast period, being 1 July 2017 to 30 June 2018. Forecast distributions are based on the Property Portfolio and Units on issue as at the date of this PDS; refer to sections 5.1 and 6. For the purposes of forecast distributions the St Leonards Property is excluded from the Property Portfolio whilst the Port Adelaide Property is included; refer to section 3.1. Future returns to Investors will be dependent on the amount of capital raised and how it is invested.
2. Portfolio size, occupancy and weighted average lease term calculations do not include the St Leonards Property which, as at the date of this PDS, is subject to a binding contract for sale. Additionally, these calculations include the Port Adelaide Property and terms of the 200 Adelaide Street, Brisbane Property's Heads of Agreement as at the date of this PDS. Refer to section 3.1 for more detail.

Investing?

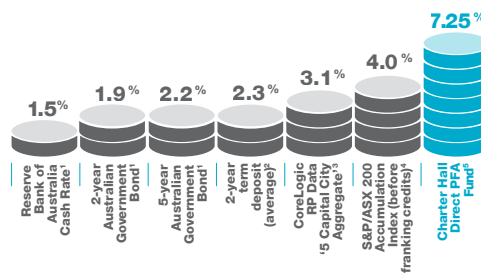
More details

- ▶ **Charter Hall Direct PFA Fund is an unlisted property fund with an income generating, established and growing office property portfolio anchored by government tenants.**
- ▶ **By investing in the Fund, you have the potential to receive strong, sustainable and stable tax-advantaged income paid monthly. Distributions are derived from real properties predominantly with long-term leases, annual rent increases and the potential for capital growth.**
- ▶ **Investors should be aware of the risks involved in direct property funds, some of which are set out in section 6.**

INCOME YIELD COMPARISON

Sources: Reserve Bank of Australia, Core Logic, The Australian Financial Review, Charter Hall

As at the date of this PDS unless otherwise stated.



Note:

- Rates as at 12 July 2017.
- Average 24 month term deposit rate as at 12 July 2017 for investments up to \$100,000.
- Core Logic RP Data '5 Capital City Aggregate' Residential Property Gross Rental Yield, reflecting daily capital value change in Australian residential properties. Yield as at 12 July 2017.
- Weighted average 12 month historic distribution yield as at 12 July 2017.
- Forecast distribution of 7.25% per annum over the forecast period, being 1 July 2017 to 30 June 2018. Forecast distributions are based on the Property Portfolio as at the date of this PDS (excluding the St Leonards Property but including the Port Adelaide Property); refer to sections 3.1, 5.1 and 6.

Property Portfolio snapshot

The established and growing Property Portfolio currently comprises six office properties that are located in emerging or established office markets around Australia. Government tenants currently occupy more than 70% of the Portfolio, and the Properties are diversified across New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia.

As at 1 July 2017, the existing Property Portfolio was 100% occupied with a weighted average lease expiry of 9.2 years (weighted by income).¹

Active portfolio management

The Portfolio will be actively managed to have a focus on generating a consistent income return and achieving capital growth. Each Property will be regularly assessed for its income outlook and strategic value. Properties will be acquired subject to meeting the Fund's investment criteria; or sold to rebalance the Portfolio towards Properties that have more attractive risk adjusted returns.

Focus on yield

The Responsible Entity is forecasting a distribution of 7.25% per annum over the forecast period, being 1 July 2017 to 30 June 2018, paid monthly. Forecast distributions are based on the Property Portfolio and Units on issue as at the date of this PDS. This forecast compares favourably with income returns of other asset classes as shown in the chart above.

The level of risk associated with an investment in the Fund is different from that associated with an investment in an ASX listed entity, a government bond or a term deposit. Please consider the risks associated with the Fund carefully prior to investing, some of which are set out in section 6.

Minimal dilution to NTA

The Fund benefits from amortised property transaction costs on the existing Property Portfolio resulting in a minimal difference between the Unit Price and NTA. This compares favourably with any new direct property product which is usually impacted by costs such as stamp duty.

Tax-deferred income

The Responsible Entity anticipates that distribution payments to Investors will contain some portion of tax-deferred income.

Tax-deferred income arises through the different treatment of expenses and depreciation allowances on buildings and plant and equipment within a building for accounting and taxation purposes. For further information on the tax implications of investing in the Fund, please refer to section 8.1.

Growth potential

There is potential for growth in distributions. The leases over the Property Portfolio have an average rental increase of 3% per annum over the forecast period.

Liquidity

The Fund will have an Initial Term of five years ending in or around August 2022 at which time the Responsible Entity will use best endeavours to provide all Investors with the opportunity to redeem their investment if they elect to do so. Thereafter, the Fund will have rolling five year terms. In addition to liquidity events at the end of each term, there will be regular Withdrawal Offers. Existing Investors are additionally able to participate in the Restricted Liquidity Event. Refer to sections 4.4 and 9.5.

Risks

There are risks inherent in every investment. You should read this PDS in full before deciding whether to invest in the Fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers. Please refer to section 6 for a summary of the key risks relating to an investment in the Fund.

1. Portfolio size, occupancy and weighted average lease term calculations do not include the St Leonards Property which, as at the date of this PDS, is subject to a binding contract for sale. Additionally, these calculations include the Port Adelaide Property and terms of the 200 Adelaide Street, Brisbane Property's Heads of Agreement as at the date of this PDS. Refer to section 3.1 for more detail.

1.0 Key features

1.1 Fund profile

Investment opportunity

▶ PDS section 4

The Fund aims to provide Investors with strong, sustainable and stable tax-advantaged income and the potential for capital growth. The Fund will achieve this with its established and growing portfolio of income generating Australian office properties anchored by government tenants. The Fund will target emerging or established Australian office markets.

Offer

▶ PDS sections 4.2, 5.3

The Offer made under this PDS is for investors to subscribe for Ordinary Units in Charter Hall Direct PFA Fund.

Limited Offer

▶ PDS section 4.3

Under the Limited Offer, investors who are allotted Units before the Limited Offer Date may receive a 2% discount to the Unit Price (i.e. effectively 10,000 Units for every \$9,800 invested). The discount is limited to the Limited Offer Amount, being \$60 million.

Forecast distribution

▶ PDS section 4.5

Forecast distribution of 7.25% per annum over the forecast period, being 1 July 2017 to 30 June 2018. Forecast distributions are based on the Property Portfolio and Units on issue as at the date of this PDS.¹

Distribution frequency

▶ PDS section 4.5

Distributions will be paid monthly in arrears.

Fund term and liquidity

▶ PDS section 4.4

The Fund will have an Initial Term of five years ending in or around August 2022. Thereafter, the Fund will have rolling five year terms.

At the end of each five year term, there will be a Liquidity Event where, subject to its obligations at law, the Responsible Entity will use best endeavours to provide liquidity for all Investors wishing to redeem their investment. In the event that the Responsible Entity is unable to redeem Units at a Liquidity Event, subject to law, it will continue to work to provide liquidity for those Investors at the prevailing Exit Price.

Regular Withdrawal Offers are intended to be made every six months from June 2019, subject to the Fund having available liquid assets. The amount made available under each Withdrawal Offer will be notified to Investors at the time an offer is made.

Property Portfolio

▶ PDS section 3

The established and growing Property Portfolio currently comprises six office properties that are located in emerging or established office markets around Australia:

- ▶ 1-21 Dean Street, Moonee Ponds, Vic;
- ▶ 9 Wentworth Street, Parramatta, NSW;
- ▶ Lot 107, Nile Street, Port Adelaide, SA;
- ▶ 134 Macquarie Street, Hobart, Tas;
- ▶ 200 Adelaide Street, Brisbane, Qld; and
- ▶ 303 Sevenoaks Street, Cannington, WA.

The Fund is actively considering other Property acquisitions that satisfy the investment criteria.

For details on the Fund's assets for sale, refer to section 3.1.

1. Refer to sections 5.1 and 6. Future returns to Investors will be dependent on the amount of capital raised and how it is invested. For the purposes of forecast distributions, the St Leonards Property is excluded from the Property Portfolio whilst the Port Adelaide Property is included; refer to section 3.1.

Investment strategy

▶ PDS section 3

The Fund's investment strategy is to:

- ▶ invest in office properties in emerging or established Australian office markets for the medium to long term and actively manage them to increase their value and income growth prospects;
- ▶ grow the rental income of the Fund by attracting and retaining government and well regarded corporate tenants on long leases with structured rental increases;
- ▶ seek investment opportunities, including co-investment opportunities through Charter Hall Group's investment pipeline, its joint venture partners and others in accordance with clear investment criteria; and
- ▶ regularly review and rebalance the Property Portfolio, including where appropriate, selling Properties to maximise risk adjusted returns for Investors.

Occupancy and average lease term

▶ PDS section 3

As at 1 July 2017, the existing Property Portfolio was 100% occupied with a weighted average lease expiry of 9.2 years (weighted by income).¹

Fund debt

▶ PDS section 11.1

The Responsible Entity has a gearing target for the Fund of 30% to 45%. Gearing may be temporarily higher in order to settle Property acquisitions with subsequent proceeds from the Offer used to reduce the Fund's gearing in line with the gearing target. Gearing may also be lower from time to time if the Responsible Entity determines it is prudent to do so.

Fees and costs

▶ PDS section 7

Certain one off and ongoing fees are payable in relation to an investment in the Fund. Direct Investors may also elect to pay their adviser an upfront and/or ongoing professional fee for service.

Risks

▶ PDS section 6

You should read this PDS in full before deciding whether to invest in the Fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.

Existing Units

▶ PDS sections 9.2, 9.4

The Fund is already established and as such has Existing Units on issue. The Units offered under the Offer in this PDS are Ordinary Units and are issued on different terms to Existing Units. The key differences between Existing Units and Ordinary Units include:

- ▶ Existing Units and Ordinary Units have different fee structures which are reflected in their respective Unit NAV;
- ▶ Existing Units have additional withdrawal rights (refer to section 9.5). Redemptions will be funded from the assets of the Fund including the proceeds of the issue of Ordinary Units; and
- ▶ Existing Units and Ordinary Units will rank for income and capital distributions on a pro rata basis based on their respective Unit NAV.

1.2 Important Offer information

Offer opening date	Minimum Application Amount	
16 August 2017²	\$20,000	
Limited Offer Amount	Limited Offer Date	First Allotment Date³
\$60 million	31 October 2017	14 September 2017
Issue price per Unit	Fund website	
\$1.00 <small>Ordinary Units will be issued at a Unit Price of \$1.00, plus, where applicable, an allowance for accrued income until 31 December 2017. Thereafter, Ordinary Units will be priced based on NAV each Business Day. Please refer to sections 4.2, 5.2 and 9.1.</small>	www.charterhall.com.au/pfa	

1. Portfolio size, occupancy and weighted average lease term calculations do not include the St Leonards Property which, as at the date of this PDS, is subject to a binding contract for sale. Additionally, these calculations include the Port Adelaide Property and terms of the 200 Adelaide Street, Brisbane Property's Heads of Agreement as at the date of this PDS. Refer to section 3.1 for more detail.

2. The Offer opening date for New Zealand Applicants is 17 August 2017.

3. Existing Investors will have priority in subscribing for Units under the Limited Offer until the First Allotment Date.

The Responsible Entity may change these dates and all other dates in this PDS and may waive the minimum Application Amount requirements in its discretion.

2.0 Charter Hall

Charter Hall Group (ASX: CHC) is one of Australia's leading fully integrated property groups, with over 26 years' experience managing high quality property on behalf of institutional, wholesale and retail clients.

Charter Hall has over \$19 billion of funds under management across

the office, retail, hospitality and industrial sectors. Charter Hall Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.



Charter Hall manages office, retail, hospitality and industrial assets across its suite of listed, wholesale and unlisted funds. The assets pictured below are not owned by the Fund.

130 Lonsdale Street, Melbourne, Vic¹



2 Park Street, Sydney, NSW¹



169 Macquarie Street, Parramatta, NSW¹



Charter Hall Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors and the community.

Note:

1. The assets pictured are managed by other entities within Charter Hall Group and are not owned by the Fund.

2.1 Key management

Peeyush Gupta FAICD Independent Chairman of the Responsible Entity



Peeyush was co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm. He has experience in starting and growing businesses, general and investment management, and corporate governance. He is a Non-Executive Director of National Australia Bank Limited, BNZ Life, Link Group, Insurance and Care NSW, and SBS. He also serves in a pro bono capacity on the Australian School of Business Dean's Advisory Committee and as a Trustee of Western Sydney University.

Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. He is also an alumnus of Harvard Business School.

David Harrison Executive Director of the Responsible Entity



31 years industry experience / 13 years at Charter Hall Group

David has 31 years of property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum from building a \$19 billion investment manager recognised as a multi-core sector market leader. David is an executive member of various fund boards and partnership investment committees and Chair of the Executive Leadership Group.

David has overseen the growth of Charter Hall Group from \$500 million to \$19 billion of assets under management in 13 years. David has been principally responsible for transactions exceeding \$25 billion of commercial, retail and industrial property assets over the past 27 years. David holds a Bachelor of Business (Land Economy) from the Western Sydney University, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

Richard Stacker Executive Director of the Responsible Entity



26 years industry experience / 7 years at Charter Hall Group

Richard is Charter Hall's Group Executive - Global Investor Relations. Richard has over 26 years of experience in real estate funds management, real estate finance, mergers and acquisitions, accounting and risk management. Richard leads the investor relations team responsible for engaging with and servicing the investors in Charter Hall's listed and unlisted funds. Prior to that, Richard led the growth in the Charter Hall Direct Property business to its market leading position today. Prior to joining Charter Hall, Richard was Chief Executive Officer of Macquarie Direct Property Management Limited and General Manager at Lend Lease Corporation. He is a member of Chartered Accountants Australia and New Zealand.

Cedric Fuchs Executive Director of the Responsible Entity



42 years industry experience / 26 years at Charter Hall Group

Cedric is a co-founder of Charter Hall Group and has over 42 years of experience in property investment, development and financial services.

He has served as a member of investment committees across Charter Hall Group's wholesale and retail funds. Prior to co-founding Charter Hall Group in 1991, he worked with Heine Management Limited (now part of ING Real Estate Australia) and Leighton Holdings Limited, where he was involved in the development and investment activities of those organisations. Cedric holds a Diploma in Business Management.

Rick Higgins
Independent Director
of the Responsible Entity



Rick is a property professional with over 45 years of experience, having provided valuations and consultancy advice to a range of large institutional clients relating to a broad range of properties. He is also a Non-Executive Director on the Board of BWP Management Limited, which is the responsible entity for the ASX listed BWP Trust.

Rick was the National Director of Business Development for Colliers International. Before that, he was employed by Jones Lang Wootton for 30 years as National Director responsible for the National Valuation and Consultancy Division. Rick is a Fellow of the Australian Property Institute (FAPI).

Ian Pratt
Independent Director
of the Responsible Entity



As an accounting professional, Ian has been providing astute property, finance and tax advice for over 40 years.

Currently a partner in a firm of chartered accountants, he is also a member of Chartered Accountants Australia and New Zealand, is a director of a number of private companies, is a Chairman of Ashley Services Group Limited and was a Director of Macquarie Direct Property Management Limited, which became Charter Hall Direct Property Management Limited in 2010.

Steven Bennett
Head of Direct Property and
Fund Manager of the Fund



16 years industry experience / 7 years at Charter Hall Group

Steven is Head of Charter Hall Group's Direct Property business and has worked in the Direct Property business for more than seven years. Steven is also Fund Manager of the Fund and has day-to-day responsibility for overseeing asset management and tenancy matters, managing the financial structure of the Fund including debt financing and hedging and stakeholder communications. Prior to joining Charter Hall Group, he worked for Macquarie Group Limited for seven years at their Sydney and London offices. Steven holds a Bachelor of Business from the University of Technology, Sydney and is a member of Chartered Accountants Australia and New Zealand.

Christopher Choi
Assistant Fund Manager of
the Fund



10 years industry experience / 6 years at Charter Hall Group

Christopher is Assistant Fund Manager and is responsible for overseeing financial performance and analytics for the Fund. Christopher also assists with asset management, strategic planning and the financial structure for Charter Hall Direct's suite of unlisted funds. Prior to joining Charter Hall Group, he worked for Investa Property Group in their Commercial Office Development business. Christopher holds a Bachelor of Commerce from the University of New South Wales and is a member of Chartered Accountants Australia and New Zealand.

3.0 Property Portfolio and investment criteria

The established and growing Property Portfolio currently comprises six office properties that are located in emerging or established office markets around Australia. Government tenants currently occupy more than 70% of the Portfolio, and the Properties are diversified across New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia.

6¹

Quality office
Properties in the
current Portfolio

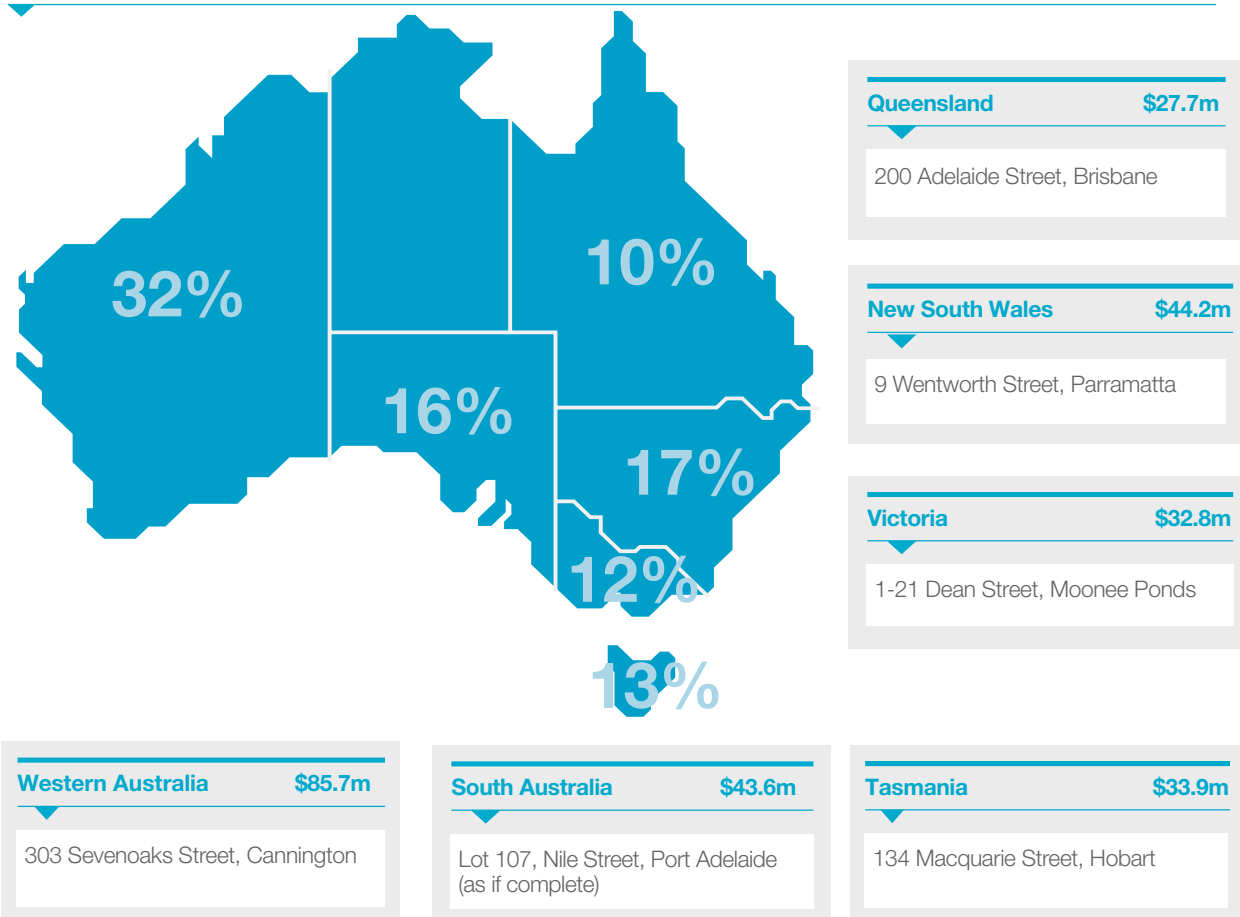
9.2 years¹

Long average
lease term
(weighted by
income)

71 %

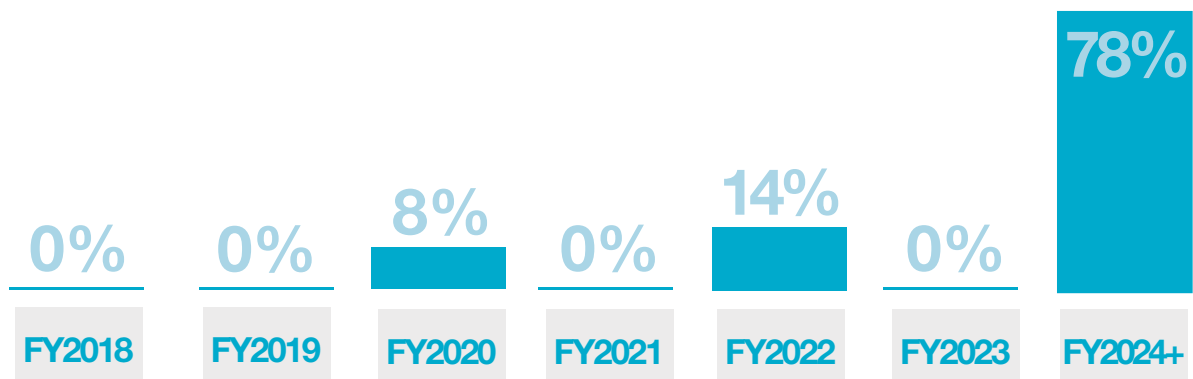
Government
tenants
(by income)

Geographic diversification by gross asset value (%)



1. As at 1 July 2017. Portfolio size, occupancy and weighted average lease term calculations do not include the St Leonards Property which, as at the date of this PDS, is subject to a binding contract for sale. Additionally, these calculations include the Port Adelaide Property and terms of the 200 Adelaide Street, Brisbane Property's Heads of Agreement as at the date of this PDS. Refer to section 3.1 for more detail.

Property Portfolio lease expiry profile weighted by income (%)¹



The Responsible Entity is actively considering other Property acquisitions that satisfy the investment criteria and aims to make those investments having regard to the following:

Investment criteria

Property type	A/B-grade office properties.
Location	All Properties will be located in emerging or established Australian office markets with an emphasis on strong and growing income streams.
Tenant	Government or well regarded corporate tenants to provide a secure and stable income stream.
Average lease term	At the time of acquisition, the Property will not reduce the Portfolio's average lease term below four years.
Development	To reduce risks associated with development, any Property acquired that is subject to development will have an approved development application and an agreement for lease over the majority of the Property.
Co-investment	All co-investments will be in quality office investment opportunities alongside Charter Hall's institutional office funds or major Australian or international investors.

The Responsible Entity may revise this investment criteria from time to time, having regard to the best interests of Investors. Changes to these investment criteria will be communicated to Investors via the Fund's website or in writing. The Board of the Responsible Entity will consider each potential acquisition on a case-by-case basis.

1. As at 1 July 2017. Weighted average lease term calculations do not include the St Leonards Property which, as at the date of this PDS, is subject to a binding contract for sale. Additionally, these calculations include the Port Adelaide Property and terms of the 200 Adelaide Street, Brisbane Property's Heads of Agreement as at the date of this PDS. Refer to section 3.1 for more detail.

Property Portfolio

All Property valuations are book valuations as at 30 June 2017 and all Property statistics (including lease terms and occupancy) are as at 1 July 2017 unless otherwise specified.



Property features

1-21 Dean Street, Moonee Ponds, Vic

Lettable area	7,104 sqm net lettable area
Valuation	\$32.8 million
Value per sqm	\$4,623
Capitalisation rate	7.5%
Lease term	4.7 year lease term
Occupancy	100%
Tenant	Foxtel
Typical floor plate	1,718 sqm

Independently valued as at 30 April 2017.

Market commentary

Moonee Ponds is approximately six kilometres north west of the Melbourne CBD and is one of Australia's fastest growing population hubs. Serviced by train, bus and tram, the area also benefits from close proximity to the Tullamarine Freeway. There is significant development in the area that surrounds the iconic Puckle Street retail shopping strip.

Property description

The Property has five levels of office space and features virtually uninterrupted natural light. At the centre of the building is a four level high atrium with a translucent ceiling and suspended stairways. Substantial parking facilities for the Property include 248 car spaces.



Property features

9 Wentworth Street, Parramatta, NSW

Lettable area	7,682 sqm net lettable area
Valuation	\$44.2 million
Value per sqm	\$5,754
Capitalisation rate	6.75%
Lease term	5.4 year average lease term
Occupancy	100%
Tenants	4 including Australian Government
Typical floor plate	1,237 sqm

Independently valued as at 31 December 2016.

Market commentary

Parramatta is part of Western Sydney, Australia's third largest economy. Western Sydney is one of the fastest growing regions in NSW and is currently the subject of significant public and private investment. Parramatta's world-class urban renewal precinct is attracting government, financial and educational tenants on a large scale.

Property description

Known as Wentworth Place, the Property comprises a commercial tower that was refurbished in 2006. The building incorporates a ground level foyer and retail, six upper levels of office accommodation and basement parking for 91 cars.



Property features

Lot 107, Nile Street, Port Adelaide, SA

Lettable area	6,333 sqm net lettable area
Valuation	\$43.6 million (as if complete)
Value per sqm	\$6,885
Capitalisation rate	6.25%
Lease term	14.4 year lease term
Occupancy	100%
Tenant	South Australian Government
Typical floor plate	1,883 sqm

Independently valued as at 30 June 2017. Refer to section 3.1 for further details on this Property.

Market commentary

Only 14 kilometres north west of the Adelaide CBD, Renewal SA is currently progressing the waterfront urban regeneration project in Port Adelaide. Additionally, the multi-billion dollar commitment by the Australian Government to build naval ships locally promises to drive investment, jobs and growth across the region. The building is located in the commercial and civic heart of the Port Adelaide Waterfront precinct.

Property description

Currently under construction and due for completion in mid-2018, the Property will have six levels, comprised of five levels of A-grade office accommodation including 150 car spaces and a further 382 sqm of ground floor retail space. High sustainability credentials are targeted with a 5 star Green Star and 5 star NABERS Energy ratings.



Property features

134 Macquarie Street, Hobart, Tas

Lettable area	11,675 sqm net lettable area
Valuation	\$33.9 million
Value per sqm	\$2,908
Capitalisation rate	7.5%
Lease term	11.7 year lease term
Occupancy	100%
Tenant	Tasmanian Government
Typical floor plate	1,182 sqm

Independently valued as at 30 April 2017.

Market commentary

Tasmania's largest city has been experiencing population growth and is the subject of public and private development activity. The Hobart airport runway extension is in progress and planned hotel developments will significantly change the CBD skyline, boosting tourism and economic growth.

Property description

Known as The Lands Building, the Property comprises 10 levels of office accommodation, 32 basement car spaces and archival-quality storage spaces. With abundant natural light and impressive views over Hobart and the River Derwent, the Property underwent a major restoration in 1998 and 2017 to maintain its A-grade status.

Property Portfolio



Property features

200 Adelaide Street, Brisbane, Qld

Lettable area	5,957 sqm net lettable area
Valuation	\$27.7 million
Value per sqm	\$4,651
Capitalisation rate	8%
Lease term¹	7.1 year average lease term
Occupancy¹	100%
Tenants¹	4
Typical floor plate	1,187 sqm

Independently valued as at 30 April 2017.

Market commentary

The Property is situated on the corner of Edward Street, the home of luxury retail in the heart of the Brisbane CBD. The Edward Street precinct is currently the subject of significant investment by Brisbane City Council and the CBD generally is experiencing falling vacancy rates.

Property description

The Property forms part of the Property Council of Australia award winning Anzac Square heritage complex and has direct access to Central Station via a pedestrian tunnel. It comprises five levels of office accommodation and ground floor retail space, plus basement level parking for 28 cars.



Property features

303 Sevenoaks Street, Cannington, WA

Lettable area	20,837 sqm net lettable area
Valuation	\$85.7 million
Value per sqm	\$4,113
Capitalisation rate	8%
Lease term	10 year average lease term
Occupancy	100%
Tenant	Western Australia Government
Typical floor plate	5,540 sqm

Independently valued as at 31 December 2016.

Market commentary

The Perth suburb of Cannington is approximately 12 kilometres from the Perth CBD, and is predominantly occupied by government tenants. The long-term nature of such tenancies has kept the vacancy rate in Cannington down compared to the Perth CBD.

Property description

This modern four level office building offers large floor plates which are attractive to government and large corporate tenants. There are two internal atriums within the building that enhance natural lighting, and parking for 100 cars.

1. As at 1 July 2017. These calculations include the terms of the 200 Adelaide Street, Brisbane Property's Heads of Agreement as at the date of this PDS. If excluded, the Property's average lease term would be 2.6 years, the occupancy would be 43% and number of tenants would be three.

3.1 Sale of the St Leonards Property, acquisition of the Port Adelaide Property and the 200 Adelaide Street, Brisbane Property's Heads of Agreement

As at the date of the PDS, the Fund's asset at 657 Pacific Highway, St Leonards, NSW (St Leonards Property) is subject to a binding contract for sale for \$22.15 million. As such, this asset has been excluded from the Property Portfolio as at the date of this PDS, calculations in respect of occupancy and weighted average lease expiry and forecast financial information. Information in relation to the status of the sale of the Property will be updated on the Fund's website.

As at the date of this PDS, the Property at Lot 107 Nile Street, Port Adelaide, SA (Port Adelaide Property) is under contract to be acquired and to form part of the Fund's Property Portfolio. This Property has been included in the Property Portfolio as at the date of this PDS, calculations in respect of occupancy and weighted average lease expiry (refer section 3.0) and the forecast financial information. Refer to section 10.3 for details of the relevant contracts. Should the acquisition not proceed, the impact on the Fund will depend on how and when the relevant capital is redeployed. Pending such redeployment, if the acquisition of the Port Adelaide Property does not proceed, it will have no effect on the forecast distributions. However, it will reduce the Fund's weighted average lease expiry to 8.5 years. Information in relation to the status of the acquisition will be updated on the Fund's website.

The Fund has also entered into a Heads of Agreement for lease at the 200 Adelaide Street, Brisbane Property. The Heads of Agreement is not binding and as such, there is a risk that the lease may not proceed. Should it not proceed, the weighted average lease expiry as at the date of this PDS will reduce from 9.2 years to 8.6 years and the Portfolio occupancy will reduce from 100% to 92%. No income from the Heads of Agreement has been included in the financial information in this PDS. As such, if the Heads of Agreement does not proceed, it will have no adverse effect on the financial forecasts.

4.0 The Fund and the Offer

4.1 Structure of the Fund

The Fund is a unit trust domiciled in Australia and registered as a managed investment scheme under the relevant provisions of the Corporations Act.

CHDPML is the responsible entity of the Fund and as such is responsible for all aspects of the management and administration of the Fund.

The Fund is an existing fund and has Existing Units on issue, which carry different rights, terms and obligations than Ordinary Units. Refer to sections 9.4 and 9.5 for more detail.

4.2 The Offer

Through the Offer, the Responsible Entity is seeking to raise equity for the Fund to:

- ▶ acquire Properties that satisfy the investment criteria; and
- ▶ redeem Units of Existing Investors who elect to participate in the Restricted Liquidity Event (refer to section 9.5).

Successful Applicants under the Offer will be issued Ordinary Units. Please refer to section 9.2 for more details. Units to be issued pursuant to the Offer will be issued each Business Day from the First Allotment Date at a Unit Price of \$1.00 plus, where applicable, an allowance for accrued income until 31 December 2017 (subject to the Limited Offer described in section 4.3). Thereafter, Units will be issued each Business Day at the prevailing Unit Price.

The Responsible Entity may in its discretion accept or reject applications in whole or in part or issue fewer Units than are applied for.

The daily cut-off for applications is 2pm AEST. If the Responsible Entity receives a completed Application Form and Application Amount before or at 2pm AEST, Units will be allotted at the Entry Price applicable at the close of business that day. If the Application Form or Application Amount is received after 2pm AEST, the Responsible Entity will apply the Entry Price for the next Business Day.

4.3 Limited Offer

Under the Limited Offer, Investors who are allotted Units before the Limited Offer Date may benefit from a 2% discount to the Unit Price (i.e. effectively 10,000 Units for every 9,800 Units they would have otherwise received). The discount is limited to the Limited Offer Amount, being \$60 million. The discount will be allocated to Applicants based on the order in which investment commitments (including via completed Application Forms) are received by the Responsible Entity, with the exception that Existing Investors will have priority (see below).

The Fund's website will be updated once the Limited Offer has closed. Applications which do not participate in full or in part in the Limited Offer will still be valid in relation to the Offer. The Responsible Entity retains discretion to allocate the Limited Offer to Applicants in its absolute discretion in the event that it is oversubscribed before the Limited Offer Date, subject to the priority given to Existing Investors. Please refer to sections 5.1 and 5.2 for details as to the financial impact of the Limited Offer.

Existing Investors

Existing Investors will have priority in subscribing for Units under the Limited Offer until the First Allotment Date. If the Limited Offer Amount is fully subscribed by Existing Investors and new Applicants before the First Allotment Date, Existing Investors will be allotted Units under the Limited Offer first, in the order in which their investment commitments (including via completed Application Forms) are received.

4.4 Fund term and liquidity

The Fund will have an Initial Term of five years ending in or around August 2022, at which time all Investors will be offered the opportunity to redeem all or some of their investment if they elect to do so. Thereafter, the Fund will have rolling five year terms. All redemptions through liquidity opportunities will occur at the prevailing Exit Price.

Liquidity Events

At the end of each term, there will be a Liquidity Event where, subject to its obligations at law, the Responsible Entity will use best endeavours to provide liquidity for all Investors (for Ordinary and Existing Units) wishing to redeem all or some of their investment.

At a Liquidity Event, the Responsible Entity will communicate formally with Investors, providing an outline of the liquidity strategy proposed, and the forecast price that Investors will receive if they redeem Units. Investors will be provided with a withdrawal request form prior to each Liquidity Event.

To provide liquidity, the Responsible Entity may:

- ▶ sell one or more Properties;
- ▶ raise new equity for the Fund;
- ▶ reconsider the gearing ratio of the Fund; or
- ▶ undertake a combination of these measures or wind up the Fund.

Liquidity Events will not be offered in the event that the Fund is listed.

Liquidity Events may also be cancelled, deferred, scaled back or suspended in exceptional circumstances including for so long as it is impracticable to offer liquidity or it would not be in the best interests of remaining Investors for liquidity to be offered.

Withdrawal Offers

Regular Withdrawal Offers are intended to be made every six months from June 2019 to all Investors (for Ordinary and Existing Units), subject to the Fund having available liquid assets. The amount made available under each Withdrawal Offer will be notified to Investors at the time an offer is made. It is expected that \$10 million will be made available each year under Withdrawal Offers.

Under the Constitution, the Responsible Entity has up to 12 months to satisfy any redemption request; however, provided the Fund has sufficient available liquid assets to do so, the Responsible Entity will aim to satisfy redemption requests made in response to a Withdrawal Offer within 30 days of the closing date of the Withdrawal Offer. The Responsible Entity has discretion to delay or suspend redemptions, or to scale back redemption requests on a proportionate basis, including in the event that demand for redemptions pursuant to any Withdrawal Offer exceeds the Fund's available liquid assets. The Responsible Entity may determine that such other terms and conditions will apply to Withdrawal Offers from time to time. These terms and conditions will be communicated to Investors at the time of the Withdrawal Offer. Withdrawal Offers may be advised to Investors by any means as determined by the Responsible Entity, including by publishing the Withdrawal Offer on the Fund's website or including information in the Fund's quarterly update.

Existing Investors

Existing Investors will have the opportunity to participate in an additional liquidity event in 2018 (Restricted Liquidity Event). Refer to section 9.5. This additional liquidity mechanism applying to Existing Investors may impact Investors acquiring Units pursuant to the Offer. Refer to sections 6.3 and 9.5 for more detail.

4.5 Distributions

Distribution policy

The Responsible Entity intends to pay income distributions as set out in section 1.1. Distributions will be paid from the Fund's income from Properties or other investments and will be determined by dividing the total amount available for distribution (as determined by the Responsible Entity and referable to the entitlement of Ordinary Units) for any given period by the number of Ordinary Units on issue on the last day of the distribution period. Distributions may fluctuate from month to month.

Tax-deferred amounts

The Responsible Entity anticipates that distribution payments to holders of Units will contain some tax-deferred amounts.

The Responsible Entity intends that distributions will be paid from the Fund's cash from operations (including proceeds of sale and excluding borrowings) available for distribution.

To this end, the Responsible Entity intends, over time, to distribute the whole of the Fund's distributable income calculated in accordance with the Constitution. In doing so, a portion of distributable income may be retained in one period to smooth distributions and/or provide additional working capital for future periods.

Distribution payments

All distributions are calculated in Australian dollars. Distributions for Australian Investors will only be paid in Australian dollars directly into a bank account or other account with a financial institution where there is a branch in Australia. New Zealand Investors may elect to have their distributions paid in New Zealand dollars to a New Zealand bank account, with the Australian dollar distribution converted to New Zealand dollars at a spot exchange rate.

If valid bank account details are not provided, this may delay the processing of an Applicant's application and/or an Investor's distribution payment. Distributions will not be paid by cheque. Tax-deferred amounts arise through the different treatment of expenses and depreciation allowances on buildings and plant and equipment within a building for accounting and taxation purposes. For further information on the tax implications of investing in the Fund, please refer to section 8.1.

Changes in the amount of depreciation, interest rates, the level of gearing and other risk factors may influence the actual tax-deferred amounts of a distribution.

Distribution reinvestment plan

Instead of receiving distributions as cash payments, Direct Investors may reinvest all of their distribution entitlement for Ordinary Units only by indicating their preferred option on the Application Form. The distribution reinvestment plan will commence at the conclusion of the Limited Offer period. During the Limited Offer period, Investors will be paid their distributions as cash payments.

Any distribution reinvested will be invested at the ex-distribution Entry Price prevailing on the last day of the period. The Responsible Entity may, in its discretion, elect to provide Direct Investors with a discount for Ordinary Units issued under the distribution reinvestment plan. As at the date of this PDS, Ordinary Units issued to Investors under the distribution reinvestment plan are issued at a 2% discount to the Entry Price.

Direct Investors can vary their participation in the Fund's distribution reinvestment plan by providing the Responsible Entity with a minimum of 10 Business Days' notice in writing.

Full terms of the Fund's distribution reinvestment plan are available from the Fund's website or by contacting the Responsible Entity. If for any reason in the future the Responsible Entity terminates or suspends the distribution reinvestment plan, all distributions from the Fund will be paid into Investors' nominated bank accounts.

4.6 Interest on application monies

Investors will receive interest on their application monies prior to Ordinary Units being issued on the First Allotment Date. This will likely be at the official cash rate (currently 1.5% per annum).

5.0 Financials

Except as disclosed, the forecast financial information in this section 5 has been calculated on the basis of the Property Portfolio¹ and the Fund as at the date of this PDS and consists of the following:

- ▶ forecast income and distribution statement for the period from 1 July 2017 to 30 June 2018; and
- ▶ pro forma balance sheet as at 1 July 2017.

The forecast financial information should be read in conjunction with the best estimate assumptions and statement of significant accounting policies in this section 5.

While the Responsible Entity considers the assumptions to be appropriate and reasonable as at the date of this PDS, Applicants should appreciate that many factors which may affect actual results are outside the control of the Responsible Entity, the Manager and their directors, or

may not be capable of being foreseen or accurately predicted. Accordingly, actual results may vary from those in the forecast financial information.

The forecast financial information has been prepared in accordance with Australian Accounting Standards. The forecast financial information has been presented in an abbreviated form and does not contain all of the disclosures that are usually provided in a financial report in accordance with the Corporations Act.

5.1 Forecast income and distribution statement

The forecast income and distribution statement for Units for the period from 1 July 2017 to 30 June 2018 is outlined in the below table:

Forecast income and distribution statement ¹		
	Notes	Forecast period 1 July 2017 to 30 June 2018 \$'000
Net Property income		18,127
Straight-lining of rent	2	1,561
Property income		19,688
Interest income		8
Fund base management fees	3	(1,437)
Fund expenses	4	(419)
Finance costs		(3,755)
Net profit		14,085
Adjustments		
Amortisation of borrowing costs	5	281
Straight-lining of rent	6	(1,561)
Amount available for distribution	7	12,805
Cash distribution	7,8	12,152
Cash distribution per Ordinary Unit (cents)	8	7.25
Distribution yield		7.25%
Interest cover ratio	9	4.7 times

Note:

1. This information excludes the St Leonards Property and the 200 Adelaide Street, Brisbane Property's Heads of Agreement, but includes the Port Adelaide Property; refer to section 3.1.
- 2, 6. Straight-lining of rent represents the impact of bringing fixed rent review increases to account evenly over the life of the leases. This amount is a non-cash item included in the net profit amount, not available for distribution and therefore not taken into consideration when calculating the forecast amount available for distribution.
3. These fees are payable to the Responsible Entity and calculated in accordance with the Constitution.
4. Fund expenses represent the Responsible Entity's best estimate assumption of costs expected to be incurred in connection with the operation of the Fund. For more detail, please refer to section 7.1.
5. These amounts are included in the finance costs amounts and are a non-cash item.
7. Amount available for distribution includes income received from the Port Adelaide Property. If the Port Adelaide Property is not acquired, the amount available for distribution will decrease, however, there will be no impact on cash distribution. No income from the Heads of Agreement at 200 Adelaide Street, Brisbane has been included in the financial information in this PDS. As such, if the lease does not proceed, it will have no adverse effect on the financial forecasts. Refer to section 3.1 and 10.3.
8. Cash distribution is based on the forecast average Units on issue for the forecast period.
9. Calculated in accordance with ASIC Regulatory Guide 46 as the ratio of the aggregate of the net Property income (excluding straight-lining of rent), interest income, Fund base management fees and Fund expenses to finance costs excluding amortisation of borrowing costs. This calculation differs from that of the interest cover ratio covenant imposed under the debt facility. For more detail, please refer to section 11.1.

Summary of distributions

Period	Per \$1.00 invested in Ordinary Units under the Limited Offer (cents) ¹	Per Ordinary Unit (cents)
1 July 2017 to 30 June 2018	7.40 ²	7.25

Note:

1. The "Per \$1.00 invested in Ordinary Units under the Limited Offer" column shows the distribution for these Investors expressed as a return per \$1.00 invested.
2. Rounded to two decimal places.

5.2 Pro forma balance sheet

The following table sets out the pro forma balance sheet including the NTA and gearing for the Fund as at 1 July 2017:

Pro forma balance sheet

	Notes	Pro forma at 1 July 2017 \$'000
Assets		
Investment property	1	227,802
Cash and other assets		5,143
Total assets		232,945
Liabilities		
Borrowings	2	(64,571)
Other liabilities		(908)
Total liabilities		(65,479)
Net Tangible Assets	3	167,466
NTA per \$1.00 invested under the Limited Offer	4	\$0.99
NTA per Ordinary Unit	4	\$0.97
Gearing	5	27.7%
Gearing (at completion of the Port Adelaide Property)	6	41.3%

Note:

1. Does not include the St Leonards Property. Refer to section 3.1 for more detail on the St Leonards Property. Includes the initial payment of \$3.4 million for the acquisition of the Port Adelaide Property, the residual balance is payable on practical completion which is forecast to be paid in the second quarter of 2018. Refer to sections 3 and 10.3 for more detail on the Port Adelaide Property.
2. Reflects the Responsible Entity's estimate of the drawn balance of the Fund's debt facility. For more detail on the debt facility, please refer to section 11.1. Assumes \$10 million of equity is raised under the Offer in order to fund the acquisition of the Port Adelaide Property. Refer to section 9.3 for more detail on Acquisition Units. Assumes the proceeds from the sale of the St Leonards Property is used to reduce the drawn balance of the Fund's debt facility. Refer to section 3.1 for more detail on the St Leonards Property.
3. Calculated in accordance with ASIC Regulatory Guide 46.
4. Initially, the NTA per Ordinary Unit will be \$0.97 and the NTA per \$1.00 invested under the Limited Offer will be \$0.99, this is calculated inclusive of the 2% discount under the Limited Offer and other cost allowances. Thereafter, the cost of providing the 2% discount will be capitalised in the issue price and amortised from 1 January 2018.
5. Calculated in accordance with ASIC Regulatory Guide 46 as the ratio of borrowings to total assets. This calculation may differ from that of the loan-to-value ratio covenant under the debt facility. For more detail, please refer to section 11.1.
6. Calculated assuming the full completion payment for the Port Adelaide Property, no increase to any Property valuation and \$10 million of equity being raised under the Offer. This gearing level will not apply if the Port Adelaide Property is not acquired. Refer to sections 3.1 and 10.3 for more detail on the Port Adelaide Property.

5.3 Source and application of funds

The Responsible Entity is seeking to raise equity for the Fund to acquire Properties that satisfy the investment criteria, through the Offer. These proceeds, together with the proceeds of the sale of any Properties, will be applied towards:

- ▶ the acquisition of additional properties for the Fund (refer to section 3); and
- ▶ the redemption of Units of Existing Investors who elect to participate in the Restricted Liquidity Event (refer to section 9.5).

5.4 Best estimate assumptions

Applicants are advised to review the assumptions and financial information set out in this section 5 and make their own independent assessment of the future performance and prospects of the Fund.

The Responsible Entity has adopted the forecast financial information based on its knowledge of the Property Portfolio, the property industry and the key assumptions set out below:

Net Portfolio income

Net Portfolio income comprises rental income from the Property Portfolio at the date of this PDS and recoverable outgoings charged to the tenant less Property expenses. The main assumptions underlying the Fund's forecast net Portfolio income are:

- ▶ income reflects leases and terms agreed for lease amendments;
- ▶ income increases in accordance with lease provisions and the Responsible Entity's CPI assumptions;
- ▶ allowances have been made for leasing costs and vacancy periods for any lease expiries during the forecast period;
- ▶ there are no tenant defaults during the forecast period; and
- ▶ Property expenses have been forecast based on the existing contracts and assumptions for future costs.

Fund base management fees

The base management fee is payable from the Fund to the Responsible Entity and charged based on the value of the Fund's total assets, as set out in this section 5.

Fund expenses

The Responsible Entity (and in turn, the Manager) is entitled to be reimbursed for all reasonable outgoings and disbursements in connection with the proper performance of its duties and obligations in operating the Fund. Expenses recovered may, for example, include those relating to postage, printing, accounting services, auditing services, external Fund research, legal services, valuations, maintenance of the Investor register, IDPS investment menus and custody services.

These amounts have been forecast relative to the size of the Fund.

Transaction fees

The Responsible Entity (and in turn, the Manager) is entitled to a transaction fee upon the acquisition and disposal of Properties.

Transaction costs

The Responsible Entity has calculated the forecast financial information based on the existing Property Portfolio.

Finance costs

Finance costs include interest, hedging and other costs incurred in connection with the establishment of the Fund's debt facility. The debt facility specifies that the interest rate is made up of two components, being the market base rate and the bank margin. The bank margin comprises a line fee and a margin. The line fee is payable on the facility limit and the margin is payable on the drawn debt balance.

Fair value adjustments

The forecast period does not include future revaluations or changes in fair value of the Property Portfolio or movements in the market values of derivatives as required by Australian Accounting Standards, as it is believed that there is not any reasonable basis to make forecasts in relation to future capitalisation rates, property yields, interest rates or general market conditions, all of which are outside the control of the Responsible Entity, the Manager and their directors. For these reasons, it is not possible to accurately quantify the impact on the forecast financial information of these matters.

Restricted Liquidity Event

The Responsible Entity has made no assumptions for Existing Investors redeeming pursuant to the Restricted Liquidity Event as redemptions are not anticipated to be processed prior to the conclusion of the forecast period. Refer to sections 6.3 and 9.5 for further information on the Restricted Liquidity Event.

Amount raised under the Offer

The financial information set out in this section 5 has been prepared on the basis that \$10 million of equity will be raised and no further acquisitions are made over the forecast period.

Impacts on financial performance

The financial performance of the Fund will be affected by, amongst other things, the future acquisition or sale of Properties, the performance of the Portfolio, the amount of capital raised under this PDS and the timing of when that capital is deployed and how acquisitions are funded. As the Fund is raising capital and seeking to deploy that capital, the actual returns of the Fund may differ from those forecast. Please refer to the Fund's website for updated information.

5.5 Statement of significant accounting policies

The principal accounting policies which have been adopted in the preparation of the financial forecasts are outlined below:

Basis of preparation

The forecast income and distribution statement and pro forma balance sheet have been prepared on a going concern basis adopting the accruals and historical cost basis of accounting (except for investments in properties and derivative financial instruments which are at fair value) and in accordance with the recognition and measurement principles of Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act.

Investment property

The Property Portfolio will be recognised at fair value. Any change resulting from revaluation will be recorded in the income statement. The carrying value of the Property recorded in the balance sheet will include components relating to lease incentives and straight-lining of rental income in respect of fixed increases in rentals in future periods.

Distributions

A distribution payable is recognised when the Investors' right to receive the payment is established. Distributions will be payable as set out in section 1.1 and Ordinary Units will rank equally as at the end of each distribution period.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Rental income is brought to account on a straight-line basis over the lease term for leases with fixed rent review increases (in all other circumstances, rental income is brought to account on an accruals basis). Interest revenue is recognised as the interest accrues using the effective interest method.

Expenses

Expenses are brought to account on an accruals basis. Ongoing fees payable to the Responsible Entity and Manager are recognised as expenses when the services are performed. A performance fee is only recognised once it is assessed as probable that the amount will be payable in the future based on the Fund's performance.

Taxation

Under current income tax legislation, the Fund is not expected to be liable to pay tax provided Investors are presently entitled to all of the income of the Fund in each income year.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Interest expense is accrued over the period when it becomes due and is recorded in the income statement; the liability is recorded as part of payables in current liabilities.

Derivatives

Interest rate swaps are used to hedge the Fund's interest rate and are recorded at fair value in the balance sheet, with movements reflected in the income statement.

5.6 Sensitivities

The Responsible Entity has made assumptions for interest expenses based on forecast interest rates, having regard to the Responsible Entity's interest rate hedging strategy. Assuming interest rates decreased or increased by 0.25% per annum, this would potentially impact the forecast distribution by positive 0.04 cents per Unit per annum and negative 0.04 cents per Unit per annum respectively.

The Responsible Entity has made assumptions in relation to the completion date of the development of the Port Adelaide Property. For every month that the completion of construction is delayed, it would potentially impact the forecast distribution over the forecast period by negative 0.05 cents per Unit per month.

6.0 Risks

As with all investments, an investment in the Fund will be subject to risks, some of which are outside the control of the Responsible Entity, the Manager and their directors. If they eventuate, these risks may reduce or suspend your distributions from the Fund and/or reduce the capital value of your investment. Before deciding whether to invest in the Fund, you should consider your attitude towards the following, and other, potential risks.

The risks discussed below are not an exhaustive list. It is the Responsible Entity's current opinion that the following are key risks of an investment in the Fund:

- ▶ property investment risks – including the risk that property values may decline and the risk that there is a decrease in Fund income;
- ▶ property development risks;
- ▶ Fund investment risks – including the limitations on the liquidity of your investment, investment horizon and gearing; and
- ▶ general investment risks – including that the economy and market conditions may affect asset returns and values.

These risks are outlined in more detail below. You should read this PDS in full before deciding whether to invest in the Fund and consider consulting your financial adviser, stockbroker or other professional advisers.

As well as considering the risks below, you should also consider how an investment in this product fits into your overall investment portfolio.

6.1 Property investment risks

These risks relate to direct investing in real estate:

Property values and sale prices

The ongoing value of a property is influenced by many factors including supply, demand, capitalisation rates, rentals, lease terms, property markets and economic conditions. There is no guarantee that the Property Portfolio will achieve a capital gain, or that sale prices will be in excess of valuations as at the date of this PDS, or that the value of the Property Portfolio will not fall as a result of the assumptions on which the relevant valuations are based, proving to be incorrect.

Property revenue

The Fund's forecast income is largely dependent upon the tenants paying rent in accordance with the lease terms. There is a risk that a tenant may default on the terms of the lease or that the Fund does not provide agreed minimum service standards, either of which could result in a reduction in rental income for the Fund, and additional expenses associated with re-leasing the tenancy or enforcement action. Vacancy periods may have an adverse impact on the Fund's net income and distributions, the Fund's ability to comply with its debt covenants, the Property's capital value and potentially the NTA per Unit.

Property acquisitions

The Responsible Entity is seeking to progressively acquire for the Fund a diversified portfolio of office properties. While the Property Portfolio supports the Responsible Entity's forecast return, there is no guarantee that future Properties will be able to be acquired on terms which achieve that forecast return. If the Fund is unable to acquire suitable properties going forward, a greater proportion of the Fund's assets will be held in cash. This will have an adverse impact on the Fund's distributions and potential for capital growth.

Capital expenditure

There is a risk that capital expenditure could exceed expectations, resulting in increased funding costs and therefore lower distributions.

Market conditions

The ongoing value of properties is influenced by changes in real estate market conditions, such as increases in supply or falls in demand in any of the real estate market sectors, or a change in the capitalisation rates considered appropriate by valuers or otherwise generally applied in the market.

Property liquidity

Direct property investments are by their nature illiquid investments. If it becomes necessary for the Fund to dispose of the Fund's assets to fund redemptions or to lower gearing, there is a risk that the Fund may not be able to realise sufficient property assets in a timely manner or at an optimal sale price. This may affect the Responsible Entity's ability to return capital to Investors and may reduce the NTA per Unit.

Natural phenomena, terrorist attacks or force majeure events

There is a risk that natural phenomena, terrorist attacks or force majeure events may affect the Properties. There are certain events for which insurance cover is not available or for which the Fund does not have cover. If the Fund is affected by an event for which it has no insurance cover, this would result in a loss of capital and a reduction to the NTA per Unit and overall Investor returns. An event of this type could also result in an increase in insurance premiums.

Property contamination

Property income or valuations of the Properties could be adversely affected by:

- ▶ discovery of an environmental contamination; or
- ▶ incorrect assessment of costs associated with an environmental contamination or with property preservation. This risk may occur irrespective of whether the contamination was caused by the Fund or prior owners.

6.2 Property development risks

Properties may be subject to development. Development properties are subject to additional risks associated with the timing, completion and cost of the development. For example, completion of delivery of the developments may be delayed (including due to unforeseen circumstances, contractor default and weather), costs associated with the development may be more than anticipated or counterparties involved in the development may default. Any of these circumstances may have an adverse financial impact on the Fund. These risks are substantially mitigated by virtue of the Fund following the investment criteria as they relate to development arrangements.

6.3 Fund investment risks

These risks relate specifically to an investment in the Fund:

Liquidity

There is no guarantee that the Responsible Entity will be able to fund the exit of Investors at any Liquidity Event, Withdrawal Offers (refer to section 4.4), the Restricted Liquidity Event (refer to section 9.5) or any other liquidity initiatives. There is a risk that the Fund may not have sufficient liquid assets to offer any liquidity opportunities to Investors in the future. If it is necessary for the Fund to dispose of assets to fund redemptions, there is a risk that the Fund may not be able to 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 Investors and may reduce the NTA per Ordinary Unit.

Further, it may be that all liquidity rights may be cancelled, suspended or scaled back (refer to section 4.4) and following a Liquidity Event, there is no guarantee that the Responsible Entity will be able to fund the redemption or purchase of all redeeming Investors' Units. As such, Investors may remain invested in the Fund.

Restricted Liquidity Event

The Responsible Entity will implement the Restricted Liquidity Event for the benefit of Existing Investors (refer to section 9.5). Investors acquiring Ordinary Units pursuant to the Offer are not eligible to participate in the Restricted Liquidity Event in respect of their Ordinary Units. The implementation of the Restricted Liquidity Event may result in the sale of Properties or the increase in the loan-to-value ratio of the Fund. Application Amounts received under the Offer may also be applied to satisfy redemptions under the Restricted Liquidity Event. This may mean that the Fund is unable to acquire additional Properties for the Fund. The precise impact of the Restricted Liquidity Event will depend on the amount of Existing Units required to be redeemed and the amount of new capital raised under the Offer. If a significant number of Existing Investors apply to participate in the Restricted Liquidity Event, the Responsible Entity may need to sell the majority or all of the Properties or consider the wind up of the Fund.

Net capital gains

The Fund is already established and holds existing Properties. There is a risk that a capital gain (or loss) may be realised by the Fund if an existing Property is sold. Any capital gain will be distributed to Investors and will need to be included in the calculation of the Investor's net capital gain or loss. As at the date of this PDS, the existing Property Portfolio (excluding the St Leonards Property) has an aggregate CGT cost base of \$160 million, compared to the Portfolio valuation of \$248 million. The issue price of Ordinary Units will not be adjusted for any future capital gain which may be payable on the sale of a Property. Investors who acquire Ordinary Units may receive a capital gain when a Property is sold. The impact of this will depend on a number of factors including the timing of any sale, the price at which a Property is sold and the size of the Fund at the time of the relevant sale.

Gearing

The Fund is a geared investment product. Gearing will magnify the effect of any movements in the value of the Property Portfolio.

A breach of a debt facility covenant may also result in a debt financier enforcing its security over the relevant assets of the Fund. The financier may require repayment of the facility, possibly prior to its expected expiry. This could result in an early sale of a Property at a less than optimal sale price, for instance, in a depressed market, additional equity being required, or distributions being reduced or suspended to repay the borrowings.

If the borrowings are refinanced, the terms (including fees and the interest rate margin payable) may be less favourable than those applying to the prevailing borrowings.

Debt facility and interest rates

There is a risk that a debt facility or an interest rate hedge (i.e. fixing the interest rate) may not be available on the same terms upon extension or refinancing, or when new finance or hedging strategies are sought.

There is also a risk that interest rates may rise. These risks may have a material adverse impact on the Fund's activities, financial position and distributions.

Diversification

Generally, the more diversified a portfolio, the lower the impact that an adverse event affecting one Property or lease will have on the income or capital value of an investment.

The Fund will invest in office properties only and therefore is not diversified by property sector.

There is a risk that the Responsible Entity may not be able to source future Properties for the Fund with appropriately diversified geographic locations and tenants which satisfy the Fund's investment criteria.

In addition, if the Fund is required to apply proceeds of the Offer to redeem Units pursuant to the Restricted Liquidity Event, this will reduce the funds available for future Fund investments.

Conflicts of interest

The Fund may be affected by certain inherent conflicts of interest. There is a risk that these conflicts may not be managed appropriately. For details on the procedure to be followed when the Responsible Entity is making decisions regarding the acquisition of assets from, or other dealings with, a related party, please refer to section 11.2.

Underwriting

The Offer may be partially underwritten by an entity within Charter Hall Group. The underwriting (if any) will be fulfilled by the issue of Acquisition Units. Refer to section 9.3 for more detail about Acquisition Units.

The Responsible Entity may make other arrangements with other entities within Charter Hall Group or third parties to underwrite the Offer in the future, including through the issue of further Acquisition Units or through loan arrangements.

Joint venture

Where the Fund acquires less than 100% of a Property, there is a risk that in connection with the disposal of that interest potential purchasers may apply a discount as a result of not being able to control the relevant Property asset. Also, the relevant investment terms may include pre-emptive rights and other restrictions which may impede the sale process. The Responsible Entity will take these matters into account when concluding the suitability of an investment.

6.4 General investment risks

These risks relate to the overall risk of most investments:

Economy and market conditions

There is the risk that changes in the economy and market conditions may affect asset returns and values, which in turn, result in reduced distributions and may decrease the NTA per Unit.

The overall investment performance of the Fund may be affected by changing economic or 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.

Insurance

Any losses incurred due to uninsured risks may adversely affect the performance of the Fund. Increases in insurance premiums may also affect the performance of the Fund. Insurance premium increases could occur, for example, if the Fund claims under any insurance policy for significant losses in respect of the Property Portfolio. Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect the Fund's ability to make claims under its insurance. Also, most insurance policies have a minimum excess.

Counterparties

The Fund may enter into legal agreements in relation to numerous aspects of the Fund's operation, for example, property management arrangements, custody arrangements, debt financing arrangements, property development arrangements and tenancy arrangements. The Fund may be adversely affected where a party fails to perform under these arrangements.

Litigation

In the ordinary course of operations, the Fund may be involved in disputes and possible litigation. It is possible that a material or costly dispute or litigation could affect the value of the assets or expected income of the Fund.

Legal and regulatory matters

There is the risk that changes in any law, regulation or government policy affecting the Fund's operations (which may or may not have a retrospective effect) will have an effect on the Property Portfolio and/or the Fund's performance.

Taxation

Changes to taxation law and policy might adversely impact the Fund and Investors' returns. Investors are advised to seek professional taxation advice in relation to their own position; however, it is not possible to predict future changes to taxation law or policy.

6.5 Port Adelaide Property acquisition risk

As at the date of this PDS, the Port Adelaide Property is under contract to be acquired and form part of the Fund's Property Portfolio. Refer to section 10.3 for more information relating to the acquisition contract. There is a risk the conditions precedent under the acquisition contract may not be satisfied or the acquisition contract may be terminated (e.g. due to an event of breach), and the acquisition is not able to be completed. This might adversely impact the Fund and Investors' returns, and result in a smaller Property Portfolio. The Port Adelaide Property will also be subject to a development agreement, pursuant to which the developer will procure the construction of the building on the Property. The development of the building could be delayed due to the fault of the developer or other unforeseen events. If the building is not completed at the time that is anticipated, the tenant will not begin paying rent when expected, which may have an adverse effect on returns. Refer to section 10.3 for more information.

6.6 200 Adelaide Street, Brisbane Property's Heads of Agreement risk

The Fund has also entered into a Heads of Agreement for lease at 200 Adelaide Street, Brisbane, Qld. The Heads of Agreement is not binding and as such there is a risk that the lease may not proceed. Should it not proceed, the weighted average lease expiry as at the date of this PDS will reduce from 9.2 years to 8.6 years. No income from the Heads of Agreement has been included in the financial information in this PDS. As such, if the Heads of Agreement does not proceed, it will have no adverse effect on the financial forecasts.

7.0 Fees and other costs

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (e.g. reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower administration fees where applicable.

Ask the Fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

7.1 Fees associated with an investment in the Fund

The below table shows fees and other costs that you may be charged. These fees and costs may be deducted from the money you invest, from the returns on your investment or from assets of the Fund as a whole. Information on taxation is set out in section 8. The fees set out below show the total cost to Investors, including the effect of GST (i.e. inclusive of 10% GST less any input tax credits, including reduced input tax credits). You should read all the information about fees and costs as it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee¹ The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee The fee to close your investment	Nil	Not applicable
Management costs²		
The fees and costs of managing your investment	Estimated at 0.8% per annum of the GAV. This comprises: <ul style="list-style-type: none"> ▶ the base management fee of 0.6% per annum of the GAV; and ▶ costs and expenses, estimated to be 0.2% per annum of the GAV. 	The base management fee is payable monthly from the Fund's assets. Expenses are deducted directly from the Fund's assets as they are incurred.
Performance fees		
Fees relating to the performance of your investment	15% of the performance over an IRR of 9% per annum	Refer to section 7.2.
Service fees		
Switching fee The fee for changing investment options	Nil	Not applicable

Note:

1. Direct Investors may direct the Responsible Entity to pay their adviser a professional fee for service. For more detail, please refer to section 7.2.
2. Additional fees may apply in a given year including performance fees, acquisition fees and disposal fees. For a description of the fees and costs comprising management costs, please refer to section 7.2.

Example of annual fees and costs

The below table gives an example of how the fees and costs for this product can affect your investment over a one year period.¹ You should use this table to compare this product with other managed investment products.

Example: balance of \$50,000 with a contribution of \$5,000 during the year		
Fee	Amount	How and when paid
Contribution fee	Nil	You will not be charged a contribution fee.
PLUS management costs	Estimated at 0.8% per annum of the GAV, comprising:	For every \$50,000 you have invested in the Fund, you will be charged \$667 each year. ^{1, 2, 3}
<ul style="list-style-type: none"> ▶ base management fee; plus ▶ Fund expenses 	<ul style="list-style-type: none"> ▶ the base management fee of 0.6% per annum of the GAV; and ▶ costs and expenses, estimated to be 0.2% per annum of the GAV. 	
EQUALS cost of the Fund	If you had an investment of \$50,000 at the beginning of the year and you invested an additional \$5,000 during that year, you would be charged between \$667 and \$733 for that year. ^{1, 2, 3}	

Note:

1. Additional fees may apply in a given year including performance fees, acquisition fees and disposal fees. For more detail, please refer to section 7.2.
2. This calculation assumes the Fund has a 40% gearing ratio. This equates to an indirect cost ratio of 1.33% per annum of the NAV.
3. This does not include any additional fees or expenses your adviser may charge you.

7.2 Additional explanation of fees and costs

Under the Constitution, the Responsible Entity is entitled to all of the fees and expenses set out in the tables in section 7.1 and in this section 7.2.

Ongoing management costs

Base management fee

The Responsible Entity (and in turn, the Manager) is entitled to the base management fee in respect of Ordinary Units set out in the tables in section 7.1.

Fund expenses

The Responsible Entity (and in turn, the Manager) is entitled to be reimbursed for all reasonable outgoings and disbursements in connection with the proper performance of its duties and obligations in operating the Fund. Expenses recovered may, for example, include those relating to postage, printing, accounting services, auditing services, external Fund research, legal services, valuations, maintenance of the Investor register, IDPS investment menus and custody services. As it is not possible to determine the quantum of expenses which may be incurred, the Responsible Entity's estimate of the expenses incurred by it and the Manager has been included in the tables in section 7.1.

Additional information and other fees and costs

Performance fee

The Responsible Entity (and in turn, the Manager) will be entitled to a performance fee in respect of Ordinary Units of 15% of the portion of the outperformance of Ordinary Units over an IRR of 9% per annum.

The first performance fee calculation period is expected to be from the date of the first issue of Ordinary Units to the earlier of the conclusion of the Initial Term and the wind up of the Fund. The performance fee will be calculated on the basis of the performance of all Ordinary Units to which the performance fee applies as a whole (as if all such Ordinary Units were held by a single Investor).

If the Fund is continued beyond the Initial Term, the performance fee will be payable based on the Unit Price referable to Ordinary Units at the conclusion of the Initial Term and will be calculated based on the assumption that an amount equal to the NAV (reflecting anticipated future disposal costs for all remaining Properties) was paid to Investors as at that Liquidity Event date. The IRR calculation will reset so that the next calculation period will be from the end of the previous calculation period to the next Liquidity Event date and so on.

The performance fee will also be calculated, payable and reset in certain circumstances including if: CHDPML is removed as the responsible entity of the Fund; the Fund is listed on the ASX; the Fund is stapled to or merged with another entity; a scheme or other arrangement affects the Fund whereby Investors holding greater than 80% of the Units on issue dispose of those Units; the Fund is wound up; or the performance fee provisions in the Constitution are amended without the consent of the Responsible Entity.

The performance fee will become payable (if owing) and will be calculated based on the assumption that an amount equal to the Unit Price referable to Ordinary Units multiplied by the number of such Units on issue or the scheme or other arrangement consideration (as the case may be) was paid to the relevant Investors.

Example of performance fee

This example is provided for information purposes only to illustrate the calculation of the performance fee. Actual results may vary significantly from those in this example.

For example, if the Fund:

- ▶ raised \$60 million at an Entry Price of \$1.00 per Ordinary Unit;
- ▶ paid a distribution per annum of 7.5 cents per Ordinary Unit for five years (representing total distributions to Investors of \$4.5 million per annum); and
- ▶ returned \$1.12 per Ordinary Unit at its wind up (representing \$67.2 million),

then the Ordinary Unit IRR based on these series of cash flows is calculated to be 9.5% per annum. The outperformance amount above the hurdle IRR of 9% per annum would be \$1.81 million, being the amount that, if included in the Ordinary Unit IRR cash flows as an outflow at the wind up of the Fund reduces the Ordinary Unit IRR to 9% per annum.

Therefore, the performance fee payable would be \$0.27 million (being 15% of \$1.81 million or \$0.00453 per Ordinary Unit).

Applying this example to an Investor with an initial \$50,000 investment, they would have received aggregate distributions of \$18,750 for the five years and a capital return of \$55,774 after deducting \$226 for their share of the performance fee.

Acquisition fee

The Responsible Entity (and in turn, the Manager) is entitled to an acquisition fee in respect of Ordinary Units, for any direct or indirect interest in a property acquired by the Fund, of up to 1.25% of the total consideration referable to the interest of Ordinary Units (including the purchase price and all development and related costs).

For example, if a Property is acquired by the Fund for a purchase price referable to Ordinary Units of \$20 million, then the Manager is entitled to an acquisition fee of \$0.25 million. If an additional \$4 million is spent on development work associated with the Property, an additional acquisition fee of \$0.05 million will be payable to the Manager.

Disposal fee

The Responsible Entity (and in turn, the Manager) is entitled to a disposal fee in respect of Ordinary Units, of up to 1.25% of the Gross Sale Price referable to Ordinary Units in respect of the sale of any Property, held directly or indirectly, or the Gross Sale Price in respect of the Fund's assets implied by a trust scheme affecting greater than 80% of the Units on issue. The Responsible Entity (and in turn, the Manager) is also entitled to a disposal fee if: CHDPML is removed as the responsible entity of the Fund; the Fund is listed on the ASX; the Fund is stapled to or merged with another entity; or the disposal fee provisions in the Constitution are amended without the consent of the Responsible Entity. This fee will be calculated at 1.25% of the gross value of the Properties at the relevant calculation date, referable to Ordinary Units.

For example, if the Gross Sale Price referable to Ordinary Units for a Property is \$40 million, then the Responsible Entity (and in turn, the Manager) is entitled to a gross disposal fee of up to \$0.5 million upon completion of the sale.

Transaction fees

The Buy Spread and Sell Spread represent the Responsible Entity's estimate of the transaction costs incurred by the Fund and its underlying investments when acquiring and selling investments.

Transaction costs are recovered through adjustments to the Unit Price. The resultant difference between the Entry Price and the Exit Price is referred to as a Buy Spread and Sell Spread respectively. As at the date of this PDS, the Buy Spread is nil and the Sell Spread for Ordinary Units is 2.5%. The prevailing Buy Spread and Sell Spread will be published on the Fund's website.

The Buy Spread and Sell Spread are an additional cost to an Investor, but are held in the Fund and are not passed through to the Responsible Entity or the Manager.

Operational costs

These costs are associated with maintaining the Property Portfolio and other assets of the Fund and are a cost of the Fund – they include land tax, rates, insurance and repair costs (to the extent they are not recoverable from the tenant).

Services fees

The Responsible Entity may also seek services for the Fund from service providers such as external sales or leasing agents or from related parties of the Responsible Entity. The fees for these services will be charged at normal commercial rates to the Fund and any related party services are subject to the approval of the Responsible Entity's independent directors. For more detail on the Responsible Entity's related party transactions policy, please refer to section 11.2.

Deferral of fees

If the Responsible Entity (and in turn, the Manager) defers payment of all or any part of its fees, such fees will accrue until paid.

Form of payment of fees

Fees may be paid to the Responsible Entity and/or Manager as cash or in the form of Units.

Adviser remuneration

The Responsible Entity does not pay commissions to advisers. Direct Investors may direct the Responsible Entity to pay their adviser a professional fee for service for the advice and recommendations they give them about the Fund, of an upfront amount (including GST) and/or an ongoing amount (including GST). Any upfront amount will be deducted from an Application Amount and any ongoing amount will be deducted from an Investor's distribution payments. These fees will be in addition to the other fees described in this section 7.

The net amount of their Application Amount or distribution payments, after deducting the professional fee for service, will be invested into the Fund or paid to the Investor.

Different fees to Wholesale Clients

The Responsible Entity and/or the Manager may negotiate different fees with, or rebate a portion of their fees to, Wholesale Clients. This is because they invest large amounts of money into the Fund. In effect, this means they pay lower fees.

Taxation

Taxation information is in section 8. If the Responsible Entity or Manager becomes liable to pay GST on fees not described in this PDS as GST inclusive, they are entitled to be reimbursed out of the assets of the Fund for the amount of GST.

8.0

Taxation

The taxation information provided below is a brief summary of some relevant Australian tax considerations. Please refer to section 12 for New Zealand tax considerations. The information below has been prepared on the basis that Investors are Australian tax resident individuals who hold their Units on capital account. The information does not address the tax consequences that may arise if an Investor holds Units on revenue account or as trading stock.

The taxation of a unit trust investment such as the Fund can be complex and may change over time.

This section 8 is not, and is not intended to be, tax advice. Accordingly, Applicants are advised to seek professional tax advice in relation to their own position. The information below is based on existing tax law and practice as at the date of this PDS.

► 8.1 Taxation of the Fund

On the basis of its investment activities as set out in this PDS, the Fund should be subject to the ordinary ‘flow-through’ taxing provisions in the current income tax legislation.

The Responsible Entity will not generally be liable for Australian income tax, provided that Investors are presently entitled to all of the distributable income of the Fund in each income year ending 30 June. This is intended to be the case under the Constitution. The taxation liability, in respect of the taxable income of the Fund, will rest with Investors.

Tax losses

Where a revenue loss or net capital loss is incurred by the Fund, the loss cannot be passed on to Investors for tax purposes. Instead, revenue tax losses will, provided the relevant trust loss rules are satisfied, be carried forward in the Fund and offset against assessable income derived by the Fund in future income

years. Net capital losses will be carried forward in the Fund and offset against future capital gains (there are currently no restrictions on carrying forward capital losses incurred by a trust). The relevant trust loss rules for carrying forward revenue losses include a continuity of more than 50% of the ownership interests in the Fund.

Capital gains tax

The CGT discount rules operate such that where the Fund derives a capital gain in respect of an asset held for at least 12 months, it should be entitled to a 50% discount in the calculation of the taxable capital gain. Whether an Investor can obtain the benefit of this will depend on their tax profile (see below).

Managed investment trust rules

The Fund has made the appropriate election so that its eligible investments are taxed on capital account.

For the Fund to continue to qualify as a managed investment trust in relation to an income year, it must satisfy a number of conditions including conditions relating to being widely held by Investors and specific conditions relating to not being closely held. The Responsible Entity believes the Fund will continue to satisfy the conditions for it to be a managed investment trust, although the need to meet those conditions for managed investment trust status to be preserved is ongoing. Among other things, changes to

the composition of Investors will affect whether the Fund continues to qualify as a managed investment trust.

As a general rule, managed investment trust status generally provides favourable withholding tax rates for distributions from the Fund to Investors resident in certain foreign jurisdictions.

8.2 Taxation of Australian tax resident Investors

Taxation of distributions

Investors should have a present entitlement to all of the distributable income of the Fund and as such, Investors will be liable to pay income tax on their share of the Fund's taxable income for each income year, at the tax rates applicable to the relevant Investor.

The assessable portion of Fund distributions, as advised by the Responsible Entity on an annual basis, should be included in an Investor's assessable income in the income year to which the distribution relates (i.e. the year in which the Fund derives the income, not when it is physically received by the Investor).

Distributions by the Fund generally retain their source and character. For example, a capital gain derived by the Fund will be treated as a capital gain in the hands of the Investor. Distributions from the Fund may include various components, the taxation treatment of which may differ depending on the status of the Investor. For example, distributions may include tax-deferred amounts, CGT concession components and net capital gains.

Tax-deferred distributions

Tax-deferred distributions generally represent the excess of the amount distributed by the Fund over the taxable component of those distributions.

The excess is sheltered from tax because of deductions such as depreciation on plant and equipment and other tax timing differences. Tax-deferred distributions are not immediately assessable when received by the Investor but will reduce the cost base of their Units. Therefore, tax-deferred distributions received affect the Investor's capital gain/loss on disposal of the Units. Once the Investor exhausts their cost base in the Units, the tax-deferred component of the distributions will give rise to an immediate capital gain.

CGT concession components

The CGT concession component of a distribution represents the component of a capital gain derived by the Fund which is not taxable by virtue of the CGT discount rules. Subject to the comments below regarding net capital gains, the CGT concession component is not assessable when received by Investors. There will be no reduction to the cost base of the Units held by the Investor in respect of the CGT concession component of a Fund distribution.

Net capital gains

A realised capital gain distributed by the Fund should be included with an Investor's other capital gains and losses (i.e. in the calculation of their net capital gain or loss).

Where the distributed capital gain includes a discounted capital gain component, the Investor is required to 'gross up' that amount by the discount applied by the Fund (i.e. 50%). The gross capital gain (i.e. the whole amount of the gain prior to discounting) is then included in the calculation of the Investor's net capital gain or loss. The Investor may be entitled in their own right to a CGT discount if they are an individual, a trust or a complying superannuation entity (50% in the case of an individual or trust and 33¹/₃% in the case of a complying superannuation entity). Companies do not receive a discount on capital gains.

Redemption or sale of Units

Upon the redemption or sale of Units, Investors who dispose of their Units must include any realised capital gain or loss on disposal of the Units in the calculation of their capital gain or loss for the income year in which the redemption or sale occurred. A net capital gain will be included in assessable income. A net capital loss may be carried forward until the Investor has realised capital gains against which the net capital loss can be offset. A net capital loss cannot be deducted against other assessable income for the income year.

If the proceeds of redemption or sale comprise both a final distribution of the Fund's taxable income and a payment for redemption or sale, only the component relating to the payment for redemption or sale will be relevant in determining whether an Investor has made a capital gain or a capital loss.

An Investor's net capital gain or loss is calculated as follows:

- ▶ the Investor should make a capital gain to the extent that the capital proceeds from the redemption or sale of the Units exceeds the cost base;
- ▶ the Investor should make a capital loss to the extent that the reduced cost base of the Units exceeds the capital proceeds from the redemption or sale;
- ▶ broadly, the cost base (and reduced cost base) will include, among other things, the amount paid to acquire the Units and any incidental costs of purchase and sale (reduced by any tax-deferred distributions);
- ▶ if the Investor has held the Units for less than 12 months, this is the gain or loss included in the Investor's net capital gain or loss calculation;
- ▶ if the Investor has held the Units for 12 months or more and there is a loss, this loss is included in the Investor's net capital gain or loss calculation;
- ▶ if the Investor has held the Units for 12 months or more and there is a gain, a discounting factor may be available to certain Investors. The gain on the Units is initially reduced by any other capital losses of the Investor. If, as a result, a net capital gain arises, it may be reduced by the discount factor. The discount factor for individuals and trusts is 50%, while a discount factor of 33¹/₃% applies for complying superannuation entities; and
- ▶ in determining the 12 month holding period, the Units are acquired when first issued to the Investor.

Taxation of financial arrangements

The taxation of financial arrangements rules can require the taxation of unrealised gains on financial arrangements. These rules should not apply to an interest in a managed investment scheme. On this basis, the provisions will not apply to an Investor in relation to their investment in the Fund.

GST

GST is not payable by Investors on the acquisition, transfer or redemption of Units. GST may apply to fees charged to Investors, such as fees charged by their advisers. Investors should obtain their own advice as to whether input tax credits can be claimed for such GST, as it will depend on their personal circumstances.

Australian tax file number and Australian Business Number

An Investor need not quote a tax file number (TFN) when applying for Units. However, if a TFN is not quoted, or an appropriate TFN exemption is not provided, tax may be required to be deducted by the Responsible Entity from any distribution at the highest marginal tax rate. If the Investor holds Units in the course of furtherance of an enterprise, an ABN can be quoted instead of a TFN.

Tax reform

The Australian Government has recently enacted changes to the taxation of managed investment trusts to improve the operation of the taxation law for managed investment trusts. Under these new rules, a trust that qualifies as a managed investment trust and satisfies certain other requirements may make an irrevocable election to be an AMIT. The Responsible Entity may elect to apply the new AMIT regime to the Fund. If the Fund were to be an AMIT, the Responsible Entity does not expect such election to have a material effect on an Investor's investment in the Fund and, if the Responsible Entity makes a choice to treat different classes of Unit as a separate AMIT, the election should ensure an allocation of fees for tax purposes across Unit classes which more closely aligns with the economic allocation of those fees for each Unit class.

8.3 New Zealand Investors

Please refer to section 12 for detail relevant to the taxation of New Zealand investors.

9.0 Additional information

9.1 Unit pricing

Under the Limited Offer, Investors who are allotted Ordinary Units before the earlier of the Limited Offer Date and the Limited Offer Amount being allotted, will receive a 2% discount to the Unit Price (i.e. effectively 10,000 Units for every 9,800 Units they would have otherwise received).

Ordinary Units issued under the Offer will be issued at a Unit Price of \$1.00 plus, where applicable, an allowance for accrued income until 31 December 2017 or such earlier date as the NAV per Ordinary Unit exceeds \$1.00 (Initial Pricing Period). Thereafter, Ordinary Units will be issued each Business Day at the prevailing Entry Price.

The Unit Price will reflect the NAV per Ordinary Unit and may be adjusted for accrued fees (including performance fees) and the capitalisation of certain Fund expenses and may disregard any unrealised movements in the market value of the Fund's interest rate hedging portfolio. Expenses that may be capitalised are all those relating to the Offer including all transaction fees and stamp duty. An Ordinary Unit's proportionate share of the NAV is adjusted for an Ordinary Unit's share of movements in the NTA.

The price applicable to acquire Ordinary Units after the Initial Pricing Period will be calculated as the Unit Price plus any Buy Spread (the Entry Price). As at the date of this PDS, there is no Buy Spread.

The price applicable to redeem Units at Liquidity Events (i.e. the Exit Price) will be calculated as at the date of the redemption as the Unit Price less any Sell Spread to reflect the costs and expenses anticipated with selling the investments of, and winding up, the Fund and providing the relevant liquidity. As at the date of this PDS, there is a 2.5% Sell Spread for Ordinary Units.

Ordinary Units acquired after 31 December 2017 will be issued each Business Day at the prevailing Entry Price. If your completed Application Form and Application Amount is received before or at 2pm AEST, your Units will be allotted at the Entry Price applicable at the close of business that day. If your completed Application Form or Application Amount is received after 2pm AEST, the Responsible Entity will apply the Entry Price for the next Business Day.

The prevailing Unit Price, Entry Price and Exit Price will be published on the Fund's website. In the event that the Responsible Entity changes the Buy Spread or the Sell Spread, Investors will be notified on the Fund's website.

9.2 Ordinary Units

Applicants who are issued Units under the Offer will be issued Ordinary Units. Ordinary Units will have a beneficial interest in all the assets of the Fund and have the rights summarised in this PDS.

9.3 Acquisition Units

To facilitate the acquisition of Properties, underwriters including entities within Charter Hall Group and/or its related bodies corporate or associates and third parties, may also provide funding by subscribing for Acquisition Units at the prevailing issue price per Unit. Acquisition Units will not form part of the Limited Offer.

The holder of Acquisition Units may sell the Acquisition Units to a third party or third parties at any time. Where an Acquisition Unit is transferred to a third party who is not a related party of the Responsible Entity, the transferred Unit will convert into an Ordinary Unit.

Acquisition Units have the same rights as Ordinary Units except for certain characteristics including that Acquisition Units may be redeemed at the election of the holder of the Units from surplus capital of the Fund. The redemption price of Acquisition Units will be equal to the prevailing issue price per Unit.

9.4 Ranking of Existing Units and Ordinary Units

The Fund has Existing Units on issue. Existing Units have the same rights as Ordinary Units except that:

- ▶ the Unit entitlement of each Existing Unit (including to the income and capital of the Fund) will be based on the Unit NAV of the relevant Existing Unit class relative to the Unit NAV of other classes, including Ordinary Units calculated in accordance with section 9.6;
- ▶ only Existing Units are eligible to participate in the Restricted Liquidity Event; and
- ▶ Existing Units are subject to different fees.

9.5 Restricted Liquidity Event for Existing Units

In or around March 2018, the Responsible Entity will provide Existing Investors with the opportunity to submit a withdrawal request for their Existing Units.

Investors who acquire Ordinary Units under the Offer may not apply for their Ordinary Units to participate in the Restricted Liquidity Event. Refer to section 4.4 for the liquidity rights applying to Ordinary Units.

Depending on the level of participation by Existing Investors in the Restricted Liquidity Event, the redemption proceeds are intended to be paid from the proceeds of the selective sale of Properties or the proceeds of the Offer or funded by debt if the gearing levels remain within the gearing target for the Fund. The Responsible Entity may process redemptions under the Restricted Liquidity Event on one or more dates, having regard to the capital available at the relevant time. The Exit Price received will be the Exit Price calculated as at the date the redemption of the relevant Unit is processed. This means that if Units are redeemed in more than one tranche, different Exit Prices may apply to each tranche. The Responsible Entity will use reasonable endeavours to process redemptions under the Restricted Liquidity Event in financial year 2019. The Restricted Liquidity Event will impact Investors who acquire Units pursuant to the Offer. Refer to section 6.3.

In the event that aggregate withdrawal requests exceed the amount of available liquidity, then the Responsible Entity will communicate formally with Investors, providing details of the withdrawal requests and the measures being considered to provide that liquidity.

9.6 Unit entitlements

Subject to the terms of issue of any Units, the entitlement of a Unit for all purposes will be based on the Unit NAV of that Unit. Each Unit will participate in the income and capital of the Fund on a pro rata basis having regard to its relevant Unit NAV relative to the Unit NAV of each other Unit.

The Unit NAV of a class of Units (and therefore their respective entitlements) will be adjusted having regard to the costs, fees and expenses attributable to that class.

In calculating the Unit NAV for the above entitlement purposes, performance fees will only be taken into account once payable. However, the Unit Price and Exit Price will be adjusted for accrued performance fees as appropriate.

10.0 Key documents and Investor information

10.1 Summary of the Constitution

The Constitution sets out, among other things, the rights attaching to the Units. Those rights are, in certain circumstances, also regulated by the Corporations Act and general law. The Constitution is available for inspection at the offices of the Responsible Entity. The following is a summary of some of the principal rights of Investors set out in the Constitution:

- ▶ Investors are entitled to receive notice of, and to attend and vote at, a general meeting of the Fund and to receive all notices, accounts and other documents required to be sent to Investors under the Constitution, the Corporations Act or the general law;
- ▶ the Responsible Entity may issue further Ordinary Units and Units in other classes at a price which is up to a 30% discount to the prevailing Unit Price. Units in other classes may have preferential rights to those of Ordinary Units;
- ▶ subject to rights attached to a particular class of Unit, Investors have a right to participate in any withdrawal opportunity on a pro rata basis with all other Investors;
- ▶ Units may be transferred by a written document in any form authorised by the Corporations Act or, in any form that the Responsible Entity approves. The Responsible Entity may refuse to register a transfer of Units without giving any reason;
- ▶ Investors will be entitled to participate in Fund distributions according to their rights and interests. Subject to rights attached to a particular class of Unit, this means in proportion to their Unit holdings;
- ▶ if the Fund is wound up, Investors will be entitled to participate in any surplus Fund assets according to their rights and interests. Subject to rights attached to a particular class of Unit, this means in proportion to their Unit holdings;
- ▶ subject to law, the Responsible Entity has all the powers in respect of the Fund which it would have if it was the owner of the Fund's assets;
- ▶ the Constitution provides that the Responsible Entity will be entitled to be paid out of the income or capital of the Fund certain fees which are detailed in section 7;
- ▶ subject to law, the Responsible Entity has a right of indemnity out of the Fund's assets other than where the liabilities are not incurred in the proper performance of its duties; and
- ▶ the Responsible Entity, and its related bodies corporate, may hold Units and the Responsible Entity may contract with itself in another capacity, for example, as responsible entity of another fund, and may contract with related parties for the provision of services to the Fund paid for by the Fund.

10.2 Summary of the Asset Services Agreement

The Asset Services Agreement, between CHH and CHDPML, provides for the appointment of the Manager to perform certain services in relation to the ongoing operation of the Fund. The Asset Services Agreement is a related party transaction between the Manager and the Responsible Entity, as the Manager and the Responsible Entity are related parties (both being part of Charter Hall Group). In entering into the Asset Services Agreement, the Responsible Entity complied with its related party transactions policy (refer to section 11.2).

Asset management services

The asset management services to be provided by the Manager include:

- ▶ providing all necessary Investor services in relation to the Fund;
- ▶ providing all information necessary to allow the Responsible Entity to report to Investors on Fund performance quarterly or more often as required;
- ▶ managing surplus cash received by the Responsible Entity in respect of the Fund or an asset;

- ▶ preparing, or causing to be prepared and issued, notices of Investor meetings;
- ▶ advising on the financial risk management policy for the Fund (including the management of cash flows, interest rate risk, and other related risks in addition to targeted gearing);
- ▶ liaising with existing and potential Investors;
- ▶ assisting in the resolution of complaints and disputes with Investors received by the Responsible Entity, and in litigation in which the Responsible Entity is involved; and
- ▶ providing such services to the Responsible Entity as it reasonably requires to discharge its functions in relation to the Fund.

Reporting

The Manager must provide the Responsible Entity with all information necessary to allow the Responsible Entity to satisfy its obligations to Investors, which arise under the Constitution.

The Manager will report to the Responsible Entity as soon as practicable with any information that would reasonably be expected to have a material effect on the value of any assets held by the Fund at any time.

Liability of the Manager

Neither the Manager nor any of its directors, officers, employees, agents or attorneys is responsible to the Responsible Entity for the financial performance of an asset of the Fund, for the effectiveness of the Asset Services Agreement, or for acting, or refraining from acting, in accordance with the instructions of the Responsible Entity, except to the extent that they are negligent or fraudulent, or they engage in wilful misconduct.

Fees and expenses

The Responsible Entity must pay from its own funds (and not as an additional cost to the Fund) all fees owed to the Manager under this agreement or may otherwise direct these fees are paid directly to the Manager. The Manager will be reimbursed from the Fund for all reasonably incurred expenses.

Please refer to section 7 for more detail regarding the Manager's fees under the Asset Services Agreement.

Termination and retirement

The Responsible Entity may terminate the Manager's appointment:

- ▶ at any time, by giving 30 days' written notice to the Manager;
- ▶ by giving 30 days' written notice, if Investors pass a resolution to remove the Manager or where the Manager breaches any material obligation under the Asset Services Agreement which remains unremedied for a period of 21 days; or
- ▶ immediately, if an insolvency event occurs in respect of the Manager.

CHH may retire as Manager under the Asset Services Agreement with the prior consent of the Responsible Entity. The Manager may nominate to the Responsible Entity, any other entity within Charter Hall Group to be the replacement manager and to provide the asset management services. Such appointment is not complete until the replacement manager and the Responsible Entity execute a new agreement.

10.3 Summary of the acquisition, development and lease agreements for the Port Adelaide Property

The Trust Company (Australia) Limited (ACN 000 000 993) only as agent of Bieson Pty Limited as trustee of the PFA Port Adelaide Trust (Purchaser) has entered into a contract for sale of land with EPC Pacific Port Adelaide 2 Pty Ltd (ACN 615 614 036) (Vendor) of Lot 107, Nile Street, Port Adelaide, SA for a purchase price of \$3.4 million plus GST. EPC Port Adelaide Pty Ltd (ACN 613 976 435) (Developer) will also be a party to the contract of sale.

Completion under the contract of sale will occur 10 Business Days after satisfaction of the last of the following conditions precedent:

- ▶ the Vendor and the Developer procuring the execution of the Deed of Covenant by the Minister for Transport and Infrastructure (Minister);

- ▶ the Developer procuring finance for the development of the Property in accordance with the development agreement including agreement between the parties on the form of the mortgage.

In respect of the first condition precedent, the Property will be acquired subject to and with the benefit of an existing agreement for lease between the Vendor, the Developer and with the Minister (as tenant). Assignment by the Vendor of the agreement for lease is restricted and as such, the Deed of Covenant provides (amongst other things) for the Minister's consent to assignment.

In respect of the second condition precedent, the Developer requires finance in order to complete the development of the Property and the finance will be secured by a limited recourse first registered mortgage over the Property to be granted by the Purchaser to the financier of the Developer.

From completion of the purchase of the Property, the Purchaser will also be bound by an existing registered encumbrance in favour of the Minister (being the future tenant and the former owner of the Property), pursuant to which the Purchaser:

- ▶ will be restricted from selling or granting any interest in land (including by lease) without the consent of the Minister;
- ▶ is restricted from using the land other than for the construction of the development and in accordance with the design as per the agreement for lease; and
- ▶ is required to commence, continue and complete the development pursuant to the program and sunset dates in the agreement for lease.

In the event of breach of the encumbrance or in certain other circumstances including insolvency of the Purchaser or the Developer or termination of the agreement for lease, the Minister may purchase back the Property. The purchase price will be \$1.4 million plus GST plus the value of base building works (taking into account the cost to complete).

The Purchaser will also enter into a development agreement with the Developer pursuant to which the Developer will be responsible for procuring the construction of the building on the Property.

In consideration of provision of the development services, the Purchaser will pay the Developer a fixed development fee of \$43.4 million. The development fee is

payable within five business days of the later of: (a) the office lease commencement date pursuant to the agreement for lease, (b) practical completion of the building, (c) registration of the office lease on title, and (d) removal of the encumbrance from the title. The development fee will adjust depending on the final calculation of rent payable under the leases, noting the cap on rent payable referred to below. The Purchaser will receive a coupon on the purchase price for the land paid, of 6.15%.

Payment of the development fee will be secured by a registered mortgage in favour of the Developer which will be released, together with the mortgage on the date of payment of the development fee.

In the event of default by the Developer, including if the building is not completed by a pre-agreed date or the agreement for lease to the Minister is terminated, then the Purchaser will have the option to put the land back to the Developer for the purchase price paid (plus costs incurred).

In the event of default by the Purchaser, which includes but is not limited to termination of the agreement for lease due to acts of the Purchaser, then the Developer will have the option to call back the land for a purchase price which is equal to the purchase price paid, less the amount of loss suffered by the Developer as a consequence of such termination.

The obligations of the Purchaser under the contract of sale and the development agreement will be secured by a guarantee provided by Charter Hall Direct Property Management Limited ACN 073 623 784 as responsible entity for the Charter Hall Direct PFA Fund.

Summary of the lease

The lease to the Minister will commence the date immediately following practical completion of the building pursuant to the agreement for lease or upon early occupation by the Minister.

The Minister will lease an area of approximately 6,000 sqm of the building to be constructed on the Property. The lease is for a term of 15 years, with two options to renew of five years' duration.

The rent payable under the lease will be calculated at a rate of \$352 per sqm, capped at a maximum initial rent of \$2.1 million plus GST per annum.

The tenant is only required to pay operating expenses during the first two years of the lease term and then the operating expenses are rentalised and increased pursuant to the rent review provisions.

The tenant may assign or sublet the premises to another minister or instrumentality of the Crown in right of the State of South Australia without the consent of the landlord. Otherwise, the tenant must not assign or underlet all or part of the premises without consent of the landlord which must not be unreasonably or capriciously withheld or delayed.

The tenant must not make any alterations or additions or install any partitioning or equipment without prior written consent of the landlord which must not be unreasonably or capriciously withheld or delayed.

The landlord is required to notify the tenant of all proposed leases or licences to be granted of any part of the building and the tenant has the right to object to the grant of such right or occupation on reasonable grounds.

At the end of the lease, the tenant has no obligation to decommission the premises in any way, but must yield the premises in the state of repair and condition required by the lease.

The landlord has obligations to achieve and maintain 5 star NABERS Energy and Water ratings and to maintain these during the term. In the event that the NABERS ratings fall below that standard, rent increases will be halved in the next year. Similarly, the landlord must obtain 5 star Green Star Design and As Built and Interiors ratings for the building and if these are not obtained, must deliver a \$1 million bank guarantee to the tenant and complete remedial work until the ratings are obtained or if they are unable to be obtained following the remedial works, pay out the remaining bank guarantee amount to the tenant. Obligations in relation to obtaining these environmental ratings will be passed on to the Developer pursuant to the development agreement, but will otherwise remain the responsibility of the landlord during the term. Pursuant to the development agreement, on the date of payment of the development fee, the Developer is obliged to provide a \$1 million bank guarantee in favour of the Purchaser, to be called on by the Purchaser in the event that the green star ratings are not obtained and the tenant requires delivery of a \$1 million bank guarantee.

Under the lease, the tenant also licenses 150 car parking spaces for a licence fee of \$250 per car park per month, payable at the same time and in the same manner as rent, other than that the review on the second anniversary of the commencement date shall be a fixed increase of 2.95% and on market rent review dates, the licence fee shall increase by 3%.

10.4 Summary of the Property Management Agreement

CHDPML has appointed CHH, and certain wholly-owned subsidiaries of CHH (Property Manager) to perform services in relation to the Properties under the Property Management Agreement.

The Property Management Agreement is a related party transaction between each Property Manager and CHDPML as each Property Manager and CHDPML are related parties (both being part of Charter Hall Group). In entering into the Property Management Agreement, CHDPML complied with its related party transactions policy (refer to section 11.2).

Property management services

The services to be provided under the Property Management Agreement include leasing administration services (including monitoring tenants' compliance with leases and conducting rent reviews), ensuring that the Properties are maintained, procuring utilities and regularly reporting to the Responsible Entity in relation to the Properties and their income and outgoings.

Term and termination

The initial term of the Property Management Agreement is three years and will automatically be extended for further terms of three years each unless the parties otherwise agree. The Property Management Agreement can be terminated earlier in certain circumstances.

The total fees payable to the Property Managers under the Property Management Agreement is dependent on the scope of the services that are provided from time to time and the income derived from the Property Portfolio. It is expected that the total fees payable to the Property Managers during the forecast period (being 1 July 2017 to 30 June 2018) will be approximately \$300,000.

10.5 Corporate governance

Role as the Responsible Entity

The Responsible Entity's main responsibilities are to ensure that the Fund is managed according to the Constitution, the Corporations Act, the Compliance Plan and the established investment policy for the Fund as well as to properly administer the Fund.

In carrying out its duties, the Responsible Entity is subject to the Corporations Act and must, among other things:

- ▶ act honestly and in the best interests of Investors;
- ▶ exercise care and diligence; and
- ▶ treat Investors of the same class equally and Investors of different classes fairly.

Board composition

The Board of CHDPML comprises six directors: three executives of Charter Hall Group and three independent directors, including an independent chairman. The Board of the Responsible Entity meets on a regular basis and is required to discuss pertinent business developments and review the operations and performance of the Fund.

The Compliance Plan

As required by law, the Responsible Entity has prepared and lodged with ASIC, a Compliance Plan that sets out the measures which the Responsible Entity will apply in operating the Fund to ensure compliance with the Corporations Act and the Constitution. A copy of the Compliance Plan is available upon request, free of charge, from Charter Hall Group's offices.

The Custodian

The Responsible Entity has appointed The Trust Company Limited to act as custodian of the Fund's assets. The Custodian must only act on instructions from the Responsible Entity. The Custody Agreement contains relevant reporting requirements and key performance indicators in line with ASIC Regulatory Guide 133.

11.0 Fund policies and practices

11.1 Debt finance

Future debt facilities

Debt facilities will be sourced from major Australian and international financial institutions. The Responsible Entity expects any facility will have a minimum allowable loan-to-value ratio covenant of 50%.

Current debt facility

The Fund currently has a syndicated debt facility with a facility limit of \$150 million provided by two major Australian financial institutions which is due to mature in June 2020.

The maximum allowable loan-to-value ratio under the debt facility is 60%. As at the date of this PDS, the value of the Property Portfolio would need to decrease by 37% for the Fund to be in breach of this covenant. The interest cover ratio covenant under the debt facility is 1.75 times. As at the date of this PDS, the operating cash flow of the Fund would need to decrease by 58% for the Fund to be in breach of this covenant. The minimum weighted average lease expiry for the Property Portfolio under the debt facility is 2.5 years. As at 1 July 2017, the weighted average lease expiry was 9.2 years.¹

As at the date of this PDS, the Fund has drawn \$88.8 million under the debt facility leaving \$61.2 million undrawn. The 'all-in' interest rate under the debt facility as at the date of the PDS is 4.2% per annum.

The facility is secured by first-ranking mortgages against the Property Portfolio and security interests over Fund assets in priority to, but with no recourse to, Investors.

Gearing and interest cover policy

The Responsible Entity maintains and complies with a written policy that governs the Fund's level of gearing and interest cover at a Fund and individual debt facility level.

The Responsible Entity has a gearing target for the Fund as set out in section 1.1. Throughout the term of the Fund, gearing may be higher from time to time in order to

settle Property acquisitions, with subsequent proceeds from the Offer used to reduce gearing in line with the target.

Debt facilities are provided by major Australian financial institutions with security granted against the Properties by a first-ranking mortgage and security interests over Fund assets in priority, but with no recourse, to Investors.

The Responsible Entity will aim to enter into debt facilities where the maximum allowable loan-to-value ratio and minimum allowable interest cover ratio provide sufficient headroom to minimise the likelihood of these covenants being breached.

Interest expenses of the Fund will not be capitalised in the ordinary course of business. The interest rate payable is made up of two components, being the market base rate and the bank margin. The market base rate is determined by the floating bank bill rate. The bank margin comprises a line fee and a margin. The line fee is payable on the facility limit and the margin is payable on the drawn debt balance.

Gearing ratio

The gearing ratio indicates the extent to which the Fund's assets are funded by borrowings. The gearing ratio gives an indication of the potential risks faced by the Fund as a result of its borrowings due to, for example, an increase in interest rates or a decrease in the value of the Properties.

A higher gearing ratio means a higher reliance on external liabilities to fund assets and exposes the Fund to increased funding costs if interest rates rise. A highly geared investment has a lower asset buffer to rely on in times of financial stress. ASIC Regulatory Guide 46 'Unlisted property schemes: Improving disclosure for retail investors' requires the gearing ratio to be calculated as:

Gearing ratio = Total interest-bearing liabilities/total assets

For the forecast gearing ratio calculated in accordance with the above, please refer to section 5.2. This calculation differs from that of the loan-to-value ratio debt facility covenant described above.

Interest cover

Interest cover measures the ability of the Fund to meet its interest payments on debt finance from its earnings. The level of interest cover gives an indication of the Fund's financial health, in paying both interest to debt finance providers and distributions to Investors. It is a key measure of the risks associated with the Fund's debt finance and the sustainability of debt refinancing.

The lower the interest cover ratio, the higher the risk that the Fund will not be able to meet its interest payments. A fund with a low interest cover ratio only needs a small reduction in earnings, or a small increase in interest rates or other expenses, to be unable to meet its interest payments. ASIC Regulatory Guide 46 requires the interest cover ratio to be calculated as:

Interest cover ratio = (EBITDA – unrealised gains + unrealised losses)/interest expense

The forecast interest cover ratio for the Fund calculated on this basis is set out in section 5.1. This calculation differs from that of the interest cover ratio debt facility covenant described above.

Interest rate hedging

From time to time, the Responsible Entity may enter into interest rate hedging contracts in order to provide more certainty for the Fund's future interest expenses. The Responsible Entity has entered into interest rate swaps with debt finance providers to hedge the market base rate under the Fund's current debt facility. The Responsible Entity is targeting to maintain hedging contracts in respect of at least 50% of the Fund's borrowings.

1. Weighted average lease term calculations do not include the St Leonards Property which, as at the date of this PDS, is subject to a binding contract for sale. Additionally, these calculations include the Port Adelaide Property and terms of the 200 Adelaide Street, Brisbane Property's Heads of Agreement as at the date of this PDS. Refer to section 3.1 for more detail.

11.2 Related party transactions

There are a number of related party transactions described in this PDS in relation to the Fund, including the fees payable by the Responsible Entity to entities within Charter Hall Group under the Asset Services Agreement and the Property Management Agreement.

The Responsible Entity may also seek professional services for the Fund from qualified service providers, including from related parties of the Responsible Entity. The fees for these services will be charged at normal commercial rates to the Fund. All parties and the fees chargeable for these services are subject to the approval of the Responsible Entity's independent directors.

Examples of areas in which related parties may provide services to the Fund are:

- ▶ property, development and project management;
- ▶ accounting, taxation and compliance;
- ▶ debt arrangement;
- ▶ financial structuring and underwriting;
- ▶ product distribution; and
- ▶ corporate advice.

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest. All transactions in which the Responsible Entity may have, or may be perceived to have, a conflict of interest will be conducted in accordance with the Responsible Entity's related party transactions policy. Under this policy, the Responsible Entity may be required to disclose conflicts of interest to Investors and to ensure that its disclosure is timely, prominent, specific and meaningful, and contains enough detail to understand and assess the potential impact on the service provided by the Responsible Entity. These conflict situations will be monitored, assessed and evaluated by the general counsel, the company secretary and/or the head of risk and compliance for Charter Hall Group and if considered necessary, the matter will be referred to the Responsible Entity's Board and steps taken to ensure that the conflict is managed in an appropriate manner.

For more detail on the Responsible Entity's policy and procedures for related party transactions, please contact the Responsible Entity.

11.3 Asset allocation protocols

Charter Hall Group manages a number of property funds. Once Charter Hall Group has sourced a particular asset, it follows formal procedures to ensure that the asset is offered to the most appropriate Charter Hall Group fund based on the relevant fund mandates. This means that assets sourced by Charter Hall Group may not be exclusively offered to the Fund.

11.4 Valuation policy

The Responsible Entity maintains and complies with a written valuation policy which:

- ▶ requires that before a Property is acquired, it is independently valued on an 'as is' basis or on an 'as if complete' and 'as is' basis for development properties;
- ▶ requires that the Property be subject to a directors' valuation at least every six months (or within two months after the directors form a view that there is a likelihood there has been a material change in the value of the Property) and in line with the requirements of the debt providers is independently valued on an 'as is' basis at least once every 12 months, usually but not exclusively as at 30 June or 31 December;
- ▶ requires that all independent valuers engaged by the Responsible Entity will be acceptable to the Fund's debt providers (if any), be registered or licensed and provide valuations which comply with all relevant industry standards and codes;
- ▶ requires that a Property will also be independently valued if the Responsible Entity believes it is likely to be subject to a substantial increase or decrease in value (i.e. greater than 5%);
- ▶ sets out the procedures to be followed for dealing with any conflicts of interest;
- ▶ provides that independent valuers must be rotated such that the same independent valuer cannot value an asset for more than three consecutive years; and
- ▶ prescribes a standard valuation brief to be given to independent valuers which sets out matters including, but not limited to, the required experience and qualifications of the valuer, that the valuer has no conflict of interest, confidentiality obligations and the contents and the calculation methodology of the valuation report.

To obtain a copy of the Responsible Entity's valuation policy, please contact the Responsible Entity.

11.5 Disclosures to Investors

Investors' right to information

As a disclosing entity, the Fund is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. Investors have a right to obtain a copy of the following documents:

- ▶ the annual financial report for the Fund most recently lodged with ASIC;
- ▶ any half year financial report for the Fund lodged with ASIC; and
- ▶ any continuous disclosure notices for the Fund given to ASIC.

The Responsible Entity's disclosures to Investors will be guided by industry best practice and ASIC guidelines and will include the following regular communications:

- ▶ distribution statements or statements of account and transaction summaries;
- ▶ investment and withdrawal notices (for all account movements);
- ▶ annual tax statements and annual periodic statements; and
- ▶ other information that may be shared with you via post or electronically.

Investors may also use the Fund's website to keep track of the Unit Price, current information on the Property Portfolio and other important information about the Fund. Alternatively, you may contact us directly to request information regarding the performance of the Fund and your investment.

ASIC disclosures

ASIC Regulatory Guide 46 'Unlisted property schemes: Improving disclosure for retail investors' and Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations' contain the benchmarks and disclosure principles currently recommended by ASIC.

These benchmarks and disclosures have been incorporated, or it has been described how the Responsible Entity will meet these obligations, within this PDS.

Benchmarks

Benchmark	Does the Fund satisfy the benchmark?	PDS section reference for more information
1. Gearing policy	Yes	11.1
2. Interest cover policy	Yes	11.1
3. Interest capitalisation	Yes	11.1
4. Valuation policy	Yes	11.4
5. Related party transactions	Yes	11.2
6. Distribution practices	Yes	4.5

Disclosure principles

Disclosure principle	PDS section reference for more information
1. Gearing ratio	11.1
2. Interest cover ratio	11.1
3. Scheme borrowing	11.1
4. Portfolio diversification	3 (and also on page 2)
5. Related party transactions	11.2
6. Distribution practices	4.5
7. Withdrawal arrangements	4.4
8. Net tangible assets	5.2

The above tables show the benchmarks and disclosure principles set out in ASIC Regulatory Guide 46.

11.6 Labour standards and environmental, social or ethical considerations

The Responsible Entity and/or the Manager may take labour standards or environmental, social or ethical considerations into account for the purposes of selecting, retaining or realising investments in the Fund. Sometimes, these matters may indirectly affect the economic factors upon which investment decisions are based.

11.7 Cooling off rights

Direct Investors who are not classified as Wholesale Clients have a 14 day cooling off period.

For each eligible Direct Investor, their 14 day period commences on the earlier of the date they receive their confirmation notice or the end of the fifth day after their Units are allotted. If an eligible Direct Investor cancels their investment during this period, the amount repaid to them may be adjusted in accordance with the Corporations Act to reflect any increase or decrease in the value of

their investment, any tax or duties payable by the Responsible Entity and administration expenses and transaction costs associated with the acquisition and termination of their investment. The right to cooling off terminates immediately if an eligible Direct Investor exercises a right or power under the terms of the Fund, such as selling part of their investment. For any subsequent contributions made under the terms of an existing agreement, the right to cooling off does not apply.

11.8 Complaints handling

The Constitution contains provisions governing the procedures for dealing with complaints by Investors. The Responsible Entity has procedures in place to properly consider and deal with any complaints received from Investors.

If you have a complaint or query in relation to the administration or management of the Fund, please contact the compliance manager for Charter Hall Group on +61 2 8651 9000 or write to Charter Hall Group at GPO Box 2704, Sydney NSW 2001.

The compliance manager will, on behalf of the Responsible

Entity, ensure your complaint is acknowledged in writing as soon as practicable, and no later than 48 hours of receipt and will ensure that it receives proper consideration. Where a complaint cannot be resolved within 20 Business Days, the complainant will be notified in writing that their complaint is being investigated and advised of the revised expected resolution date. Within 45 days of receiving the complaint, the Responsible Entity is required to communicate to the complainant its final proposal for resolution.

The Responsible Entity is also a member of Financial Ombudsman Service Australia (FOS), an external complaints resolution service that has been approved by ASIC. If you are dissatisfied with our response, you may raise the matter with FOS. Its contact details are:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne Vic 3001
Telephone: 1800 367 287 or +61 3 9613 7366
Fax: +61 3 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

11.9 Privacy

Indirect Investors

We do not collect or hold any personal information about you in connection with your investment in the Fund. You should contact your IDPS Operator for details on collection, storage, use and disclosure of personal information.

Direct Investors

You do not need to give us any personal information requested in the Application Form or in any other document or communication relating to the products or services we supply you. However, without this information, we may not be able to process your application or provide you with an appropriate level of service.

By completing the Application Form, you agree to us:

- ▶ collecting, holding and using your personal information to process your application as well as administering and managing the Fund. This includes monitoring, auditing and evaluating the Fund, modelling data, testing data, communicating with you and dealing with any complaints or enquiries;
- ▶ providing your personal information to other entities in Charter Hall Group as well as to external service providers situated in Australia or offshore, which provide services in connection with the Fund. These may include, for example, mail houses or professional advisers;
- ▶ using your personal information to offer products or services that may be of interest to you unless you request us not to (including for the purposes of the Spam Act 2003 (Cth) and the Unsolicited Electronic Messages Act 2007 (New Zealand), via commercial emails);
- ▶ supplying your financial adviser with information about your investment, if a financial adviser's stamp appears on the Application Form or there is evidence of their status; and
- ▶ disclosing your personal information to other parties if you consent or if we believe that the law requires or permits us to do so, or to any person proposing to acquire an interest in our business, provided they agree to treat your information in accordance with the Privacy Act.

Other entities in Charter Hall Group may use your personal information to offer products or services that may be of interest to you unless you request us not to allow this. Should you not wish to receive this information, please contact us using one of the methods listed on the inside back cover of this PDS.

We will not sell your personal information to other organisations to enable them to offer products or services to you.

Under the Privacy Act, you may request access to any of your personal information that we hold. You can contact us to make a request relating to the privacy of your personal information. Please refer to the inside back cover of this PDS for a contact details listing.

Charter Hall Group's privacy statement can be found at www.charterhall.com.au/privacy

11.10 Anti-money laundering, counter-terrorism financing, FATCA and CRS

The Responsible Entity is required to collect certain customer identification information (and verify that information) in compliance with AML Legislation before it can issue Units to an Applicant.

The Responsible Entity may refuse to accept an Application Form or decline to issue Units to an Applicant until it has satisfactorily concluded its customer identification procedure in relation to the Applicant. The Responsible Entity may also compulsorily redeem any Units, or may delay or refuse any request or transaction, including by suspending the issue or redemption of Units, if the Responsible Entity is of the belief that the request or transaction may cause the Responsible Entity to contravene AML Legislation (or any other legislation). The Responsible Entity will incur no liability to the Applicant if it does so.

If you have a financial adviser, your identification and verification checks can be conducted by your financial adviser who will also complete the relevant identification form issued by the Financial Services Council and the Financial Planning Association of Australia (FSC/FPA Form (May 2017 version)). If you do not have a financial adviser for this investment and are not an existing investor in another Charter Hall Group unlisted fund, please complete and return the Identification Form that accompanies this PDS.

We may, from time to time, be required to contact you to request additional information for identification or verification purposes.

By applying for Units, you agree to the following:

- ▶ at the reasonable request of us, you will supply, or procure the supply of, any documentation and other evidence and perform any acts to enable us to comply with AML Legislation;
- ▶ if we suspect that you are in breach of AML Legislation applicable in Australia or elsewhere, or we believe we are required to take action under any laws relating to AML Legislation or any other applicable law in Australia or elsewhere, we may take any action we consider appropriate, including redeeming your Units and refusing or ceasing to provide you with services, in order to comply with any laws relating to AML Legislation or any request of a relevant authority; and
- ▶ we may, in our absolute discretion, with or without notice to you, disclose or otherwise report the details of any transaction or activity, or proposed transaction or activity, in relation to the Fund (including any personal information, as defined in the Privacy Act that you may have provided to us) to any reporting body authorised to accept reports under any laws relating to AML Legislation applicable in Australia or elsewhere.

The Application Form and customer identification forms also incorporate the Foreign Account Tax Compliance Act (US) (FATCA), the Tax Laws Amendment (Implementation of the Common Reporting Standard) Act 2016 (Cth) (CRS), and any similar laws designed to implement those laws in Australia. Under FATCA and CRS legislation, the Responsible Entity is prevented from allotting Units until such time as all relevant information has been obtained and the Applicant's FATCA and CRS status has been determined. The FATCA and/or CRS status of self managed superannuation funds or other regulated superannuation funds will be determined by the Responsible Entity in accordance with the ATO's FATCA and/or CRS guidance (as updated from time to time). In the event that a self managed superannuation fund or other regulated superannuation fund is not confirmed as having an exempt beneficial owner status for FATCA and/or CRS purposes, the Responsible Entity may seek additional information from the Applicant. The Responsible Entity reserves the right to seek additional information from any Applicant for FATCA and/or CRS purposes.

We are required to disclose certain personal information you may provide to us to any body authorised to accept reports under any laws relating to FATCA and CRS legislation applicable in Australia or elsewhere. You can obtain a copy of our Privacy Policy via our website.

11.11 Consents

The entities listed below have given, and have not, before the date of this PDS, withdrawn their consent to be named in this PDS in the form and context in which they are named:

- ▶ Boardroom (Victoria) Pty Limited; and
- ▶ The Trust Company Limited.

None of these entities has authorised or caused the issue of this PDS and nor are they responsible for any particular part of it.

11.12 If you have an adviser or change your adviser

If you wish to pay your adviser a professional fee for service, please ensure that you and your adviser complete the relevant sections in the Application Form.

The upfront professional fee for service can be deducted from your Application Amount and paid to your adviser. The net amount of your Application Amount, after deducting this fee, will be invested into the Fund. You may also elect to pay your adviser an ongoing professional fee for service from your distribution payments. The balance of your distribution payments after paying your adviser this fee will be paid to you. This fee for service will continue each financial year unless requested otherwise.

If you have an adviser, your adviser may also be provided with details on your investment in the Fund.

If you change your adviser during the course of your investment in the Fund, please advise the Investor Registry in writing.

11.13 Fax and electronic correspondence conditions

By using a fax and/or electronic correspondence instruction service including the application for Units via an online Application Form, you release us and indemnify us against all losses and liabilities arising from any payment/action that we make/take based on the instructions we receive by fax and/or electronic correspondence including the application for Units via an online Application Form bearing your account number and an apparent signature of yours – even if the fax and/or electronic correspondence including the application for Units via an online Application Form is not genuine. You also agree that neither you nor anyone claiming through you has any claim against the Fund or us or in relation to these payments or actions.

Each Applicant completing the paper copy Application Form must return their completed original Application Form and accompanying items to the Investor Registry in order for their application to be processed.

Each Applicant completing the online Application Form will be emailed a copy to sign. Applicants must return their completed Application Form by either mailing a paper copy or emailing a scanned copy to the Investor Registry in order for their online application to be processed. Applicants that complete the online Application Form may also need to complete the Identification Form and mail the original documents if they are not able to be verified via the online application process.

12.0 New Zealand investors

If you are a New Zealand investor, the Responsible Entity is required to provide the following additional information to you under New Zealand law.

1. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
2. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
3. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
4. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
5. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
6. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
7. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

Currency exchange

1. The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
2. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

The Responsible Entity can be contacted in New Zealand at:

C/- Tim Williams
Partner
Chapman Tripp
23-29 Albert Street
PO Box 2206
Auckland 1140 New Zealand
tim.williams@chapmantripp.com

Australian Taxation of New Zealand Residents

Distributions – managed investment trust withholding tax regime

The Fund is intended to be a managed investment trust for Australian tax purposes. As such, pursuant to the managed investment trust withholding tax regime, the Responsible Entity is required to withhold tax at a rate of 15% from distributions of net taxable income (including rent and capital gains, but excluding amounts of interest which are subject to 10% interest withholding tax) made to New Zealand resident Investors. The Fund is also required to provide a payment summary to such Investors which sets out the total of the withholding payments that the payment summary covers and the total of the amounts withheld by the Fund from those withholding payments. If the Fund does not qualify as a managed investment trust, the tax treatment of your investment will differ. We recommend that you seek independent taxation advice in this regard.

Taxation of capital gains

The redemption or transfer of any Units may give rise to a taxable capital gain. For example, this will be the case in circumstances where a New Zealand resident Investor has, at the time of redemption or transfer, or throughout a 12 month period that began no earlier than 24 months before that time, an interest in the Fund (including any interests held by associates) of 10% or more. Non-residents are not entitled to discount capital gains treatment.

New Zealand taxation of New Zealand resident Investors

GST

The issue and redemption of Units will not be subject to New Zealand GST.

Assumptions

The summary set out below assumes that you and your associates do not together hold more than 10% of the total Units on issue in the Fund. Investors will be taxed on their Units under one of two regimes: the ordinary tax regime or the Foreign Investment Fund (FIF) regime.

Tax treatment under the ordinary tax regime

An Investor will be taxed under the ordinary tax rules if the Investor is a New Zealand resident natural person and does not hold offshore equities (including units in a unit fund but excluding, among other things, shares in most Australian resident companies listed on the ASX) the total cost of which is more than NZ\$50,000 unless the Investor elects otherwise. Under the ordinary tax rules:

- ▶ any distributions will be dividend income for the Investor;
- ▶ withdrawal by redemption of Units will give rise to dividend income for the Investor equal to the difference between:
 - ▶ the redemption proceeds; and
 - ▶ the average issue price of all the Units multiplied by the number of the Investor's Units which are redeemed; and
- ▶ an Investor will be taxed on any gains from the sale or redemption of Units only if the Investor acquired the Units:
 - ▶ for the purposes of disposal;
 - ▶ as part of a profit making scheme or undertaking; or
 - ▶ as part of a business in respect of which the sale of such investments is an ordinary incident.

Amounts taxed as dividends will not be taxed again as gains from sale.

Tax treatment under FIF regime

Other Investors will be taxed under the FIF regime (FIF Investors). Broadly speaking, a FIF Investor will be deemed to derive income equal to 5% of the market value of the Units it holds at the beginning of the income year (fair dividend rate or FDR method). Any profits from selling or redeeming the Units and any dividends or redemption proceeds received are ignored (except as described in the following paragraphs).

If a FIF Investor bought and later sold Units in the same income year, then the FIF Investor has additional taxable income equal to either:

- ▶ the actual gain from the Units both bought and sold during the income year (including any distributions paid on them) (actual gain method). For these purposes the last Unit acquired is deemed to be the first sold; or
- ▶ 5% of:
 - ▶ the difference between the greatest number of Units the FIF Investor held at any time during the income year and the number of Units the FIF Investor held at the beginning or end of the year (whichever produces the smaller difference), multiplied by
 - ▶ the average cost of all Units acquired during the income year (peak holding method).

The FIF Investor must apply the method which produces the lesser amount of additional income when applied consistently to all of their FIF investments bought and sold in the same income year.

A slightly different version of this method is used by Investors that are managed funds.

If a FIF Investor is a natural person or a family trust and its actual realised and unrealised return from its total portfolio of offshore equity investments is lower than the amount calculated under the FDR method described above, the Investor can elect to be taxed on its actual realised and unrealised returns – including dividends (the comparative or CV method). This method must be applied across all the Investor's FIF interests.

An Investor will also need to make certain elections in respect of how amounts are converted to New Zealand dollars.

The FIF regime described above is subject to various exceptions. Investors should seek specific tax advice if they believe the FIF regime may apply to them.

13.0

Glossary

Term	Description
ABN	Australian Business Number as defined in the Corporations Act.
ACN	Australian Company Number as defined in the Corporations Act.
Acquisition Unit	A class of Unit as set out in section 9.3.
AEST	Australian Eastern Standard Time.
AFSL	Australian financial services licence as defined in the Corporations Act.
AMIT	A trust, for an income year, that is an attribution managed investment trust for the purposes of section 276-10 of the Income Tax Assessment Act 1997 (Cth).
AML Legislation	Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth), Financial Transaction Reports Act 1988 (Cth) and any similar legislation.
APIR Code	Asia Pacific Investment Register Code. APIR Codes are standard identifiers for products in the financial services industry.
Applicant	A person or entity who applies to subscribe for Units.
Application Amount	The monies payable by an Applicant to apply for Units.
Application Form	The paper application form attached to or accompanying this PDS or the online application form (available to Australian investors only) accompanying an electronic version of this PDS.
ARSN	Australian Registered Scheme Number as defined in the Corporations Act.
ASIC	Australian Securities and Investments Commission.
Asset Services Agreement	The asset services agreement between CHH and the Responsible Entity pursuant to which CHH has been appointed as the Manager to perform certain services for the Fund referred to and summarised in section 10.2.
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.
ATO	Australian Taxation Office.
Business Day	A weekday on which banks are open for business in Sydney, New South Wales.
Buy Spread	The estimate of transaction costs associated with buying investments. The Entry Price at investment can differ from the Unit Price because of the Buy Spread.
CGT	Capital gains tax as determined under the Income Tax Assessment Act 1997 (Cth).
Charter Hall Group or Charter Hall	The stapled entity comprising Charter Hall Limited (ACN 113 531 150) and Charter Hall Funds Management Limited (ACN 082 991 786, AFSL 262861) as responsible entity of Charter Hall Property Trust (ARSN 113 339 147) listed on the ASX under the code CHC, and their subsidiaries.
CHDPML	Charter Hall Direct Property Management Limited (ABN 56 073 623 784, AFSL 226849) in its capacity as responsible entity of the Fund.
CHH	Charter Hall Holdings Pty Limited (ABN 15 051 363 547).
Compliance Plan	The Fund's compliance plan, which sets out the measures that the Responsible Entity will apply in operating the Fund to ensure compliance with matters as required by the Corporations Act and the Constitution.
Constitution	The constitution of the Fund (as amended from time to time).
Corporations Act	Corporations Act 2001 (Cth).
CPI	Consumer Price Index.
Custodian	The Trust Company Limited (ABN 59 004 027 749, AFSL 235148).
Custody Agreement	The agreement pursuant to which the Custodian has been appointed to hold the assets of the Fund as agent of the Responsible Entity.
CRS	Tax Laws Amendment (Implementation of the Common Reporting Standard) Act 2016 (Cth).
Direct Investor	An Applicant who invests in the Fund directly and not via an IDPS.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
Entry Price	The price at which an Ordinary Unit is issued at a point in time.
Existing Investor	A holder of an Existing Unit.

Term	Description
Existing Unit	A Unit on issue as at the date of this PDS and, for the avoidance of doubt, this does not include Ordinary Units.
Exit Price	The price at which a Unit is redeemed at a point in time.
FATCA	Foreign Account Tax Compliance Act (US).
First Allotment Date	The first allotment date as set out in section 1.2.
FSC/FPA Form	The form issued in May 2017 by the Financial Services Council and the Financial Planning Association of Australia.
Fund	Charter Hall Direct PFA Fund (ARSN 097 860 690).
GAV	Gross asset value, or total assets, of the Fund.
Gross Sale Price	The total sale price received in respect of the sale of a Property (or which would have been received had the Fund sold the Property directly).
GST	Goods and services tax as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth) or goods and services tax as charged under equivalent legislation in jurisdictions outside Australia.
Heads of Agreement	The heads of agreement for lease in respect of the Property at 200 Adelaide Street, Brisbane, Qld in the form and on the terms as at the date of this PDS.
IDPS	Investor directed portfolio service. An IDPS is provided by an IDPS Operator, which makes investments into products on behalf of its clients and provides a reporting service to these investors. Some master trusts and wrap accounts are examples of IDPS arrangements.
IDPS Operator	The trustee, custodian or operator of an IDPS.
Indirect Investor	An Applicant who invests in the Fund through an IDPS by directing their IDPS Operator to acquire Units on their behalf.
Initial Term	The initial term of the Fund from the date of this PDS as set out in section 1.1.
Investor	A holder of a Unit.
Investor Registry	Boardroom (Victoria) Pty Limited (ABN 65 110 851 333).
IRR	Internal rate of return.
Limited Offer	Investors who are allotted Units before the Limited Offer Date may benefit from a discount to the Unit Price as set out in section 1.1.
Limited Offer Amount	The limited offer amount as set out in section 1.2.
Limited Offer Date	The limited offer date as set out in section 1.2.
Liquidity Event	The process proposed to occur every five years subsequent to the Initial Term by which the Responsible Entity will endeavour to provide liquidity for those Investors wishing to redeem their investment.
Manager	CHH or another manager of the Fund from time to time.
NAV	Net asset value, or net assets, of the Fund including accrued income and expenses calculated as the GAV less total liabilities of the Fund.
Net Tangible Assets or NTA	NAV excluding unamortised borrowing costs.
NTA per Unit	The net tangible asset backing per Unit (and where applicable, the net tangible asset per Unit of a particular class).
Offer	The offer of Ordinary Units under this PDS.
Ordinary Unit	A class of unit in the Fund as described in section 9.2. Ordinary Units will be issued under the Offer.
PDS	This product disclosure statement.
Port Adelaide Property	The Fund's Property located at Lot 107, Nile Street, Port Adelaide, SA.
Privacy Act	Privacy Act 1988 (Cth) and Australian Privacy Principles.
Property, Properties, Portfolio or Property Portfolio	Any one or all of the current and future properties that the Fund invests in from time to time, including properties owned in joint venture. Unless otherwise stated, the Portfolio as at the date of this PDS includes the Port Adelaide Property and excludes the St Leonards Property; refer to section 3.1.
Property Management Agreement	The property management agreement between CHDPML and the Property Manager pursuant to which the Property Manager has been appointed to perform certain services for the Fund referred to and summarised in section 10.4.
Property Manager	Has the meaning set out in section 10.4.
Responsible Entity	CHDPML.
Restricted Liquidity Event	The process set out in section 9.5.
Sell Spread	The estimate of transaction costs associated with selling investments. The Exit Price at withdrawal can differ from the Unit Price because of the Sell Spread.
St Leonards Property	The Fund's Property located at 657 Pacific Highway, St Leonards, NSW.
Unit	A unit in the Fund.
Unit NAV	The NAV relating to a particular Unit or class of Units in the Fund.
Unit Price	The price of a Unit from time to time as explained in section 9.1.
Wholesale Client	A wholesale client as defined in section 761G of the Corporations Act.
Withdrawal Offer	Withdrawal Offers are intended to be made every six months from June 2019, subject to the Fund having available liquid assets. Refer to section 4.4.

4 steps on how to invest

1 & 2



You should read this PDS in full before deciding whether to invest in the Fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.



Pay particular attention to the risks set out in section 6 and other information concerning Ordinary Units, the Fund and its assets. These risks need to be considered in light of your investment objectives, financial situation and particular needs.

& 3 & 4



Consider consulting your financial adviser, stockbroker or other professional advisers before deciding whether to invest.



Online (for Australian investors only)
Access the Application Form on the Fund's website and return a copy with your signature.
Paper copy
Complete the paper copy attached to this PDS and return the original with your signature.

Payment information

▶ BPAY® (Australian investors only)

If you are completing the paper copy of the Application Form, contact the Investor Registry on 1300 137 895 to request a BPAY® reference number. Include reference number on Application Form.

▶ Electronic funds transfer

Transfer to the following account:

Account name: 'CHDPML – CH Direct PFA Fund Application Account'

Bank: Westpac Banking Corporation
BSB number: 033 003

Account number: 519 669

Include reference (name of Applicant) on Application Form. **Your bank may require the full description of CHDPML (Charter Hall Direct Property Management Limited) to be included on transfer forms.**

New Zealand investors please contact us for details regarding electronic funds transfer.

▶ Direct debit (Australian investors only)

If you are completing the paper copy of the Application Form, complete the separate Direct Debit Request Form and return it with your Application Form – the Investor Registry will direct debit your Application Amount within three Business Days of receipt of your forms.

▶ Cheque

Payable to 'CHDPML – CH Direct PFA Fund Application Account' crossed 'not negotiable'. Enclose with Application Form.

Sending your Application Form

You can now access the Application Form online at www.charterhall.com.au/pfa or complete the paper copy attached to this PDS.

If you are completing online, you will be emailed a copy to sign, scan and return to charterhall@boardroomlimited.com.au. You may also need to complete the Identification Form and mail the original documents if you cannot be verified electronically.

If you are completing the paper copy Application Form, mail the **original** to:
Charter Hall Direct PFA Fund
C/- Boardroom (Victoria) Pty Limited
GPO Box 3993
Sydney NSW 2001

Indirect Investors

Your IDPS Operator will facilitate an investment in the Fund on your behalf. You should contact your adviser or IDPS Operator for further details.

▶ If you have any questions about the Offer, please call us on 1300 652 790 (local call cost) or +61 2 8651 9000

▶ You can now complete the Application Form online at www.charterhall.com.au/pfa

Application Form

This Application Form relates to the application for Ordinary Units in Charter Hall Direct PFA Fund (ARSN 097 860 690) (Fund) under the PDS dated 16 August 2017 issued by Charter Hall Direct Property Management Limited (ABN 56 073 623 784, AFSL 226849). This form must be accompanied by the PDS when provided to any person. Unless otherwise defined, capitalised terms in this Application Form have the meaning given to them in the PDS. If you are completing the paper copy Application Form, mail the original to: Charter Hall Direct PFA Fund, C/- Boardroom (Victoria) Pty Limited, GPO Box 3993, Sydney NSW 2001.

Please use black pen and print in CAPITAL LETTERS and where appropriate

1 Contact details

Please enter contact details in case we need to contact you in relation to your application. Please note if you have a financial adviser we will contact them in the first instance.

Title

Name

Phone

Email

Postal address (all correspondence will be sent here)

SUBURB STATE POSTCODE

Are you an existing investor in a Charter Hall unlisted fund?

Yes, my investor number is:

If you are an existing investor in another Charter Hall unlisted fund and you are investing in the Fund under the same name, or you are adding to an investment in the Fund, you **do not need to complete section 3 of this Application Form or the Identification Form**. After you complete section 2 of this Application Form, go straight to section 4.

No, or I am investing in the Fund under a different name. You need to complete all sections of this Application Form and complete the **Identification Form**.

2 Investment details

Minimum application is \$20,000 and thereafter multiples of \$1,000. Payment details are in **section 5** of this Application Form.

Investment amount

\$

3 New investor (or existing investor under a different name)

What type of investor are you?

- Individual/joint holding **AB**
Complete the **Identification Form** individuals section
- Company **C**
Complete the **Identification Form** corporates section
- SMSF/trust – individual trustees **ABD**
Complete the **Identification Form** trustees section
- SMSF/trust – corporate trustees **CD**
Complete the **Identification Form** trustees section
- Sole trader **AC**
Complete the **Identification Form** individuals section
- Other – please contact us for further information

A Individual investor, joint investor, trustee or sole trader

Title

Given name(s)

Surname

Date of birth DAY / MONTH / YEAR

Occupation

Residential address

SUBURB STATE POSTCODE

Are you an Australian resident for tax purposes?
 Yes No, if no specify country:

TFN or exemption Provide to ensure tax is not deducted

B Second joint investor or second trustee

Title

Given name(s)

Surname

Date of birth DAY / MONTH / YEAR

Occupation

Residential address Same as A, or specify below

SUBURB STATE POSTCODE

Are you an Australian resident for tax purposes?
 Yes No, if no specify country:

TFN or exemption Provide to ensure tax is not deducted

C Company, corporate trustee or sole trader

Company name

ABN or TFN

ACN

Registered office address (not a PO Box)

SUBURB STATE POSTCODE

Principal place of business address (if different)

SUBURB STATE POSTCODE

Business activities

D SMSF or trust

Full name of the trustee

SMSF or trust name

ABN or TFN

Type of trust

Country in which trust was established

Full name of settlor of trust (if any)

4 How shall we pay you?

Please nominate the bank, building society or credit union account that you would like your distribution and any other payments to be paid to. The account must be held in the name of the Applicant. Please note all payments are calculated and paid in Australian dollars.

Name of financial institution

Account name

BSB number

Account number

I would like my distributions reinvested as additional Units in the Fund.

5 How are you going to pay us?

Payment details

These details are required so your payment can be matched to your Application Form.

Please indicate which payment method you have used.

I am paying by (please choose one method only):

BPAY® BPAY® Biller Code: **244681**



Please contact the Investor Registry on 1300 137 895 to request a BPAY® reference number and ensure the reference number is included here.

BPAY® reference number:

Electronic funds transfer

Please transfer funds electronically to the following account and send your completed Application Form to the Investor Registry.

Account name: **CHDPML – CH Direct PFA Fund Application Account**

Please note your bank may require the full description of CHDPML (Charter Hall Direct Property Management Limited) to be included on transfer forms.

BSB number: **033 003** Account number: **519 669**

Reference
(Name of Applicant)

It is important to include your **name as reference**. If we are unable to match your application to a payment, your application may be delayed.

Direct debit

Please complete and sign the Direct Debit Request Form for us to debit your nominated bank account for your Application Amount (within three Business Days of receipt of your forms).

Cheque

Made payable to '**CHDPML – CH Direct PFA Fund Application Account**' and crossed 'not negotiable'.

6 Adviser details (to be completed by your financial adviser)

If you use a financial adviser and/or your financial adviser is providing us with your identification documents, please have them complete, sign and stamp this section to confirm they hold a current AFSL and are authorised to deal in or advise on managed investment products.

Adviser name

Adviser company

Assistant name

Adviser email

Adviser phone

AFSL name

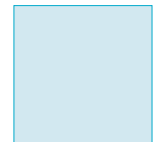
AFSL number

Authorised representative number

Sign me up to AdviserServe to access my client's investment details and statements via www.adviserserve.com.au

By signing the below and submitting the relevant identification documents with this Application Form, the financial adviser represents to the Responsible Entity that they: have followed the FSC/FPA Industry Guidance Note No. 24 (May 2017 version) and any other applicable AML Legislation; will make available to the Responsible Entity, on request, original verification and identification records obtained by the financial adviser in respect of the Applicant, being those records referred to in the FSC/FPA Form (May 2017 version); will provide details of the customer identification procedures adopted by the financial adviser in relation to the Applicant; have kept a record of the Applicant's identification and verification and will retain these on file for a period of seven years after their relationship with the Applicant has ended; will use reasonable efforts to obtain additional information from the Applicant if the Responsible Entity requests the financial adviser to do so; will not knowingly do anything to put the Responsible Entity in breach of AML Legislation; and will notify the Responsible Entity immediately if they become aware of anything that would put or may potentially put the Responsible Entity in breach of AML Legislation. I agree that any professional fee for service specified in section 7 of the Application Form is only for advice and recommendations I have provided to my client in respect of the Fund and not for any other advice or service.

Adviser signature and stamp



7 Adviser professional fee for service details (to be completed by you)

If you have negotiated a professional fee for service with your financial adviser, you need to complete this section.

I request, until further notice from me, that the Responsible Entity deduct a professional fee for service from my Application Amount and/or an ongoing professional fee for service from my distribution payments as set out below. I acknowledge that these fees will be paid to my financial adviser as specified in section 6 of this Application Form and that the balance of my Application Amount will be invested in the Fund and/or the balance of my distribution payments will be paid to me.

Upfront professional fee for service

Either a percentage of your Application Amount or a fixed amount

1% 2% 3% or \$ amount

Ongoing professional fee for service

Either a percentage or fixed amount from your distributions up to a maximum of 1% per annum (excluding GST) of your net Application Amount after deduction of any upfront professional fee for service:

% or \$ amount

Advise the financial year the ongoing professional fee for service will commence from i.e. FY18 (July 2017 to June 2018). This fee for service will apply to your whole investment if you are adding to an investment and will continue each financial year unless requested otherwise.

Signature 1

Signature 2

Name
Date

Name
Date

8 Common Reporting Standards (CRS) declaration (mandatory)

This section is mandatory for all Investors, EXCEPT those investing via an SMSF or other regulated superannuation fund.

Any person, company or trust that:

- ▶ is an individual or joint investor, company or trust; or
- ▶ exercises control over an Applicant company; or
- ▶ is a trustee, beneficiary or settlor of an Applicant trust, **MUST** complete this section.

Are you a resident for tax purposes of any country other than Australia?

No, go to section 9

Yes, you MUST complete this section for each individual

Country For the individual, company or trust

Taxpayer identification number Issued by the relevant tax authority

For any other Applicants, we will contact you for further CRS verification.

9 Foreign Account Tax Compliance Act (US) (FATCA) declaration (mandatory)

This section is mandatory for all Investors, EXCEPT those investing via an SMSF or other regulated superannuation fund.

Any person that:

- ▶ is an individual or joint investor; or
- ▶ exercises control over an Applicant company; or
- ▶ is a trustee, beneficiary or settlor of an Applicant trust, **MUST** complete this section.

Are you a United States (US) citizen or resident for tax purposes?

No, go to section 10

Yes, you MUST complete this section for each individual

US TIN First person

US TIN Second person

For any other Applicants, we will contact you for further FATCA verification.

10 InvestorServe – online access

www.investorserve.com.au

InvestorServe is the Investor Registry's user friendly and secure website where you can access your investment details and statements.

If you are an existing InvestorServe user, then your investment in the Fund will be automatically added to your account. If you have not used InvestorServe before, you will be registered and instructions on how to access InvestorServe will be mailed with your allotment of Units confirmation.

All new Investors will be set to receive electronic copies of correspondence, and all existing Investors will be set to receive electronic correspondence if an email address is provided in section 1 of this Application Form. You can update your communication preferences at anytime via InvestorServe or by contacting the Investor Registry.

11 Declaration

Please read the PDS before signing the Application Form. Note that company Applicants usually require two signatures.

I/We:

- ▶ wish to apply for Ordinary Units, and received the PDS for the Fund at the same time and by the same means as I/we received this Application Form;
- ▶ agree to be bound by the PDS and the terms of the Constitution, as may be amended from time to time and have received and accepted the Offer in Australia or New Zealand (as the case may be);
- ▶ confirm that I/we have read and understood the PDS current at the date of the signing of this Application Form;
- ▶ agree to information about me/us being collected, used and disclosed in accordance with the privacy statement contained in the PDS;
- ▶ agree to the anti-money laundering and counter-terrorism financing statement as set out in section 11.10 of the PDS and agree to provide the Responsible Entity any additional information or documentation it requests from time to time to ensure compliance with that legislation;
- ▶ acknowledge that investments in the Fund are not deposits or liabilities of any company in Charter Hall Group or of the Custodian;
- ▶ I/we declare that this Application Form is completed and lodged in accordance with the PDS and that all statements made by me/us are complete and accurate and acknowledge that it is a criminal offence to knowingly provide misleading information or documents in respect to this application;
- ▶ I/we declare the CRS and FATCA notifications provided at sections 8 and 9 of the Application Form are correct; and
- ▶ acknowledge that the Fund is subject to investment and other risks, set out in the PDS, which could include delays in repayment, and or loss of income and capital invested and that no member of Charter Hall Group or the Custodian guarantees the performance of the Fund or any particular rate of return.

If the application is signed by more than one person, who will operate the account?

Any to sign All to sign together

Signature 1

Signature 2

Name

Name

Date

Date

Title

Title

If a company officer or trustee, you **MUST** specify your title:

Director Sole director and company secretary

Trustee Other (please specify)

If a company officer or trustee, you **MUST** specify your title:

Director Sole director and company secretary

Trustee Other (please specify)

Charter Hall Direct PFA Fund

Direct Debit Request Form

Please contact the Investor Registry on 1300 137 895 or charterhall@boardroomlimited.com.au if you require any assistance. This form authorises Charter Hall Direct Property Management Limited (ABN 56 073 623 784, AFSL 226849), User Identification 485904 to arrange through its own financial institution and registrar, a debit to your nominated account of any amount nominated by you in section 2 of the Application Form.

This debit or charge will be made through the Bulk Electronic Clearing System from your account nominated below and will be subject to the terms and conditions of the Direct Debit Agreement.

Please note that the Investor Registry will direct debit your nominated bank account for your Application Amount within three Business Days of receipt of your Application Form and Direct Debit Request Form.

Authorisation

Please indicate the account from which you would like us to deduct the Application Amount(s). Please note your account must be an Australian financial institution account held in the name of the Applicant; third party direct debits will not be accepted.

I/We authorise Charter Hall Direct Property Management Limited to debit the bank account nominated in section 4 of the Application Form

OR

I/We authorise Charter Hall Direct Property Management Limited to debit the bank account nominated below:

Name of financial institution

Account name

BSB number

Account number

Direct debit acknowledgement

By signing and/or providing us with a valid instruction in respect to your direct debit request, you have understood and agreed to the terms and conditions governing the direct debit request.

All nominated account holders must sign below to confirm the direct debit request. Please sign in the same way as the account signing instruction held by your financial institution.

Signature of nominated account holder 1

Name

Date

Signature of nominated account holder 2

Name

Date

This is your Direct Debit Agreement with Charter Hall Direct Property Management Limited (ABN 56 073 623 784, AFSL 226849), User Identification 485904. It explains what your obligations are when undertaking a Direct Debit arrangement with us. It also details what our obligations are to you as your Direct Debit provider.

Please keep a copy of this agreement for future reference. It forms part of the terms and conditions of your Direct Debit Request (DDR) and should be read in conjunction with your DDR authorisation.

The terms of this Direct Debit Agreement are for the purposes of your application for units in Charter Hall Direct PFA Fund and us debiting from your account in accordance with your instructions outlined in the Application Form and the Direct Debit Request Form.

Definitions

account means the account held at your financial institution from which we are authorised to arrange for funds to be debited.

agreement means this Direct Debit Agreement between you and us.

banking day means a day other than a Saturday or a Sunday or a public holiday listed throughout Australia.

debit day means the day that payment by you to us is due.

debit payment means a particular transaction where a debit is made.

direct debit request means the Direct Debit Request between us and you.

us or we means Charter Hall Direct Property Management Limited, (the Debit User) you have authorised by requesting a DDR.

you means the customer who has signed or authorised by other means the DDR.

your financial institution means the financial institution nominated by you on the DDR at which the account is maintained.

Debiting your account

By signing a DDR or by providing us with a valid instruction, you have authorised us to arrange for funds to be debited from your account. You should refer to the DDR and this agreement for the terms of the arrangement between us and you. We will only arrange for funds to be debited from your account as authorised in the DDR. If the debit day falls on a day that is not a banking day, we may direct your financial institution to debit your account on the following banking day. If you are unsure about which day your account has or will be debited, you should ask your financial institution.

Amendments by us

We may vary any details of this agreement or a DDR at any time by giving you at least 14 days' written notice.

Amendments by you

You may change*, stop or defer a debit payment, or terminate this agreement by providing us with at least five business days' notification by writing to the Investor Registry or by telephoning us on 1300 137 895 or +61 2 9290 9600 during business hours; or arranging it through your financial institution, which is required to act promptly on your instructions.

* Note: in relation to the above reference to 'change', your financial institution may 'change' your debit payment only to the extent of advising us Charter Hall Direct

Property Management Limited of your new account details.

Your obligations

It is your responsibility to ensure that there are sufficient clear funds available in your account to allow a debit payment to be made in accordance with the DDR.

If there are insufficient clear funds in your account to meet a debit payment: (a) you may be charged a fee and/or interest by your financial institution; (b) you may also incur fees or charges imposed or incurred by us; and (c) you must arrange for the debit payment to be made by another method or arrange for sufficient clear funds to be in your account by an agreed time so that we can process the debit payment. You should check your account statement to verify that the amounts debited from your account are correct.

Dispute

If you believe that there has been an error in debiting your account, you should notify us directly on 1300 137 895 or +61 2 9290 9600 and confirm that notice, in writing to us as soon as possible so that we can resolve your query more quickly. Alternatively, you can take it up directly with your financial institution.

If we conclude as a result of our investigations that your account has been incorrectly debited, we will respond to your query by arranging for your financial institution to adjust your account (including interest and charges) accordingly.

We will also notify you in writing of the amount by which your account has been adjusted. If we conclude as a result of our investigations that your account has not been incorrectly debited, we will respond to your query by providing you with reasons and any evidence for this finding in writing.

Accounts

You should check: (a) with your financial institution whether direct debiting is available from your account as direct debiting is not available on all accounts offered by financial institutions; (b) your account details which you have provided to us are correct by checking them against a recent account statement; and (c) with your financial institution before completing the DDR if you have any queries about how to complete the DDR.

Confidentiality

We will keep any information (including your account details) in your DDR confidential. We will make reasonable efforts to keep any such information that we have about you secure and to ensure that any of our employees or agents who have access to information about you do not make any unauthorised use, modification, reproduction or disclosure of that information.

We will only disclose information that we have about you:

(a) to the extent specifically required by law; or (b) for the purposes of this agreement (including disclosing information in connection with any query or claim).

Notice

If you wish to notify us in writing about anything relating to this agreement, you should write to the Investor Registry.

We will notify you by sending a notice in the ordinary post to the address you have given us in the DDR. Any notice will be deemed to have been received on the third banking day after posting.

Charter Hall Direct PFA Fund

Identification Form

If you have previously completed identification verification details for another Charter Hall unlisted fund investment in the same name, you do not need to complete this form. If you have a financial adviser, you can complete this section or your adviser can complete section 6 of the Application Form and send us a copy of the relevant FSC/FPA Form. If you are completing the online Application Form, you may be e-verified. Otherwise, it is mandatory to complete this form and provide original certified copies of identification documentation for each Applicant.

Verification details – individuals

To be completed by individuals, individual trustees, joint individuals, joint individual trustees or sole traders. Trustee Applicants also complete the trustee verification details.

OPTION 1 – provide ONE original certified copy of one primary identification document

- Valid Australian state or territory driver's licence containing a photograph of the person
- Australian passport (a passport expired within the preceding two years is acceptable)
- Card issued by a state or territory for the purposes of proving a person's age containing a photograph of the person
- Valid foreign passport or similar travel document containing a photograph and the signature of the person (and if applicable, an English translation by an accredited translator)

OPTION 2 – provide TWO original certified copies of secondary identification documents, one from A and one from B

Category A

- Australian birth certificate
- Australian or foreign citizenship certificate
- Pension or health card issued by Centrelink
- Valid Medicare card

Category B

- A document issued by the Commonwealth or a state or territory within the preceding 12 months that records the provision of financial benefits
- A document issued by the ATO within the preceding 12 months that records a debt payable by the individual to the Commonwealth (or the Commonwealth to the individual), which contains the individual's name and residential address (block out any TFN references)
- A document issued by a local government body or utilities provider within the preceding three months which records the provision of services (must contain the individual's name and residential address)
- Australian marriage certificate
- If under 18 years old, a notice issued to the individual by a school principal within the preceding three months, that contains the name, residential address and the period of time attended at that school

Verification details – trustees

To be completed by ALL trustee Applicants – individual trustee(s) also complete the individuals verification details, and corporate trustee(s) also complete the corporate verification details. For registered managed investment schemes or government superannuation funds, please contact us or provide the relevant FSC/FPA Form.

OPTION 1 – SELF MANAGED SUPER FUND APPLICANTS Provide a copy of one identification document

- A search extract from the ASIC, ATO or relevant regulator's website (e.g. 'Super Fund Lookup' at superfundlookup.gov.au)
- An original certified copy or extract of the trust deed

OPTION 2 – ALL OTHER TRUST APPLICANTS Provide an original certified copy of one identification document

- A notice issued by the ATO within the last 12 months (block out any TFN references)
- An original letter from a solicitor or qualified accountant that confirms the full name of the trust and its appointer and settlor
- An original certified copy or extract of the trust deed

Provide the full name, address, date of birth and verification documents (see the verification requirements for individuals for further details) of the appointer of the trust:

Appointer name

Residential address

SUBURB STATE POSTCODE

Date of birth

Provide details of all individuals who are beneficial owners through one or more holdings of more than 25% of the trust's issued capital:

Name Beneficiary one

Residential address

SUBURB STATE POSTCODE

Name Beneficiary two

Residential address

SUBURB STATE POSTCODE

Verification details – corporates

This section is only to be completed by corporate Applicants and corporate trustee Applicants that are Australian proprietary limited companies. For all other corporate Applicants, please contact us or provide the relevant FSC/FPA Form.

Provide a copy of one identification document

- A current and historical company information Company extract from the ASIC Connect website
- An original certified copy of a certificate of registration or a current annual company statement issued by ASIC

Provide the full name of each director:

Name Director one

Name Director two

Provide details and verification documents (see the verification requirements for individuals for further details) of all individuals who are beneficial owners through one or more shareholdings of more than 25% of the company's issued capital:

Name Beneficiary one

Residential address

SUBURB STATE POSTCODE

Date of birth

Name Beneficiary two

Residential address

SUBURB STATE POSTCODE

Date of birth

What is a certified copy?

Certified copies are true copies of original documents with an original certification from the certifier. A certified copy is a document that has been certified as a true copy of the original document by one of the following persons:

- ▶ an officer with, or authorised representative of, a holder of an AFSL, having two or more continuous years of service with one or more licensees;
- ▶ an officer with two or more continuous years of service with one or more financial institutions (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- ▶ a finance company officer with two or more continuous years of service with one or more finance companies (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- ▶ a Justice of the Peace;
- ▶ a notary public (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- ▶ an agent of Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- ▶ a permanent employee of Australian Postal Corporation with two or more years of continuous service who is employed in an office supplying postal services to the public;
- ▶ a member of Chartered Accountants Australia and New Zealand, CPA Australia or the Institute of Public Accountants with two or more years of continuous membership;
- ▶ a person who is enrolled on the roll of the Supreme Court of a state or territory, or the High Court of Australia, as a legal practitioner (however described);
- ▶ a judge of a court;
- ▶ a magistrate;
- ▶ a chief executive officer of a Commonwealth court;
- ▶ a registrar or deputy registrar of a court;
- ▶ a police officer; or
- ▶ an Australian consular officer or an Australian diplomatic officer (within the meaning of the Consular Fees Act 1955 (Cth)).

What must the certifier do?

The certifier must confirm the copy is certified as a true copy of the original documentation and clearly state their name, category and date of certification. An example of appropriate certification wording is:

“I certify this (and the following pages, each of which I have signed/initialled) to be a true copy of the document shown and reported to me as the original.”

Please note certification is only accepted if within two years of date of application.

Registrable names

Only legal entities (such as companies and superannuation funds, natural persons etc) are allowed to hold interests in the Fund. The application must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Responsible Entity. For trusts, the name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correctly registrable names shown below.

Type of investor	Correct form of registrable name	Incorrect form of registrable name
Individuals	John Alfred Smith	J A Smith
Companies Use company name, do not use abbreviations	ABC Pty Limited	ABC P/L ABC Co
Trusts Use trustee(s) personal names, do not use name of the trust	Sue Smith ATF <Sue Smith Family Trust>	Sue Smith Family Trust
Deceased estates Use executor(s) personal names, do not use name of the deceased	John Smith <Est Jane Smith A/c>	Estate of the Late Jane Smith
Clubs/unincorporated bodies/ business names Use office bearer(s) name(s), in addition to name of the club etc	Michael Smith <ABC Tennis Association A/c>	ABC Tennis Association
Superannuation funds Use name of trustee of the fund, do not use name of the fund	Jane Smith Pty Limited ATF <Super Fund A/c>	Jane Smith Pty Limited Superannuation Fund

Contact details

Investor Registry

You should send all original completed paper copy Application Forms to the Investor Registry:

Charter Hall Direct PFA Fund
C/- Boardroom (Victoria) Pty Limited
GPO Box 3993
Sydney NSW 2001
Telephone: 1300 137 895 or +61 2 9290 9600

The online Application Form can be found at:
www.charterhall.com.au/pfa

You should also contact the Investor Registry if you:

- ▶ have any queries regarding the Application Form;
- ▶ want to change your address or name;
- ▶ want to record your TFN;
- ▶ want to check your investment details; or
- ▶ require assistance with other registry matters.

Responsible Entity

For further information on the Fund, please contact your financial adviser or contact us through any of the methods below:

Website

www.charterhall.com.au/pfa

Email

directproperty@charterhall.com.au

Telephone

1300 652 790 (local call cost) or
+61 2 8651 9000 (calling from outside Australia)

In writing

Charter Hall Direct Property Management Limited
Charter Hall Direct PFA Fund
GPO Box 2704
Sydney NSW 2001

