

7 June 2021

SUBJECT: Freehold Debt Income Fund

Dear Investor

We are writing to you as a current investor in the Freehold Debt Income Fund (FDIF/Fund) as at 31 May 2021. The Trustee, Freehold Investment Management Ltd (Freehold), is making a number of changes to FDIF that will have an impact on your investment in the Fund. These changes, that will be introduced from 1 July 2021, are being made due to a change in market conditions and to reflect Freehold's merger with Alceon Group's real estate funds management business, which was announced earlier this year.

Broadly, the changes are as follows:

- The Fund's name will be changed to the Alceon Debt Income Fund and will be registered as a retail scheme. This will result in a change in trustee and a new disclosure document for the Fund (PDS) will be issued on 1 July 2021. From this date, you can request a copy, free of charge, by contacting us. The current Trustee, Freehold, will remain involved in the Fund as the investment manager. This relationship is described in the PDS.
- There will be a change in the Fund strategy to only allow investments in Senior Debt (as defined in the fund's offer document). While the Fund will remain exposed to Intermediate Capital until existing investments are exited, future investments in Intermediate Capital will no longer be allowed under the Fund's investment parameters.
- A broadening geographic exposure to aid diversification. The Fund will be allowed to allocate up to a maximum of 20% of its capital to deals originated in New Zealand but denominated in Australian dollars.
- A revision to the Fund's return target. Given the continued rate compression across the sector, the Fund's annual return target will drop to 5% - 7% p.a. from the current 7 - 8% p.a. While the Fund has consistently delivered returns since inception above that targeted, we do not believe it's prudent to try and

maintain that return if that requires an increased level of risk to offset the material rate compression across the sector.

- The fee structure of the Fund will change. The annual management fee will be reduced to 1.50% p.a. plus GST (from 1.75% p.a. plus GST). The annual performance fee will increase to 15% (from 10%) and the performance fee benchmark will be changed to a flat 5% p.a. (previously the current 3-month BBSW). The performance fee will be capped at an annual 0.50% of net asset value of the Fund. Overall, the fee changes will reduce the percentage of the annual management fees payable by investors.

These changes will come into effect from 1 July 2021. The above is a summary only of the changes and we encourage you to read the PDS in detail so that you are aware of the new terms of the Fund.

No other action is required by you. However, if you have any questions about the proposed changes, please speak to your financial advisor or email Freehold via direct@freeholdim.com.au.

We thank you for your continued investment with Freehold.

Yours sincerely



Mr Grant Atchison
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Freehold Investment Management Ltd

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