

## INVESTOR UPDATE

### Wholesale Australian Property Fund

ARSN 088 996 392

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**25 MARCH 2020**

Dear Investor,

In these times of historic uncertainty, we understand the need for transparent and timely information that will enable you to make the best decisions for your portfolio or your clients' portfolio. We also understand that it can be stressful and unnerving.

AMP Capital have received tremendous investor support for the Wholesale Australian Property Fund over the last nine years and this has allowed us to navigate through the good times and the bad times. We believe you can take confidence from the size and experience of our team. We remain mindful of your support and fully committed to meeting the current challenge.

Please find below an update on the Wholesale Australian Property Fund and how it is currently positioned. We hope it is informative and we will continue to provide you with regular updates on an ongoing basis.

Yours sincerely,

Christopher Davitt  
Fund Manager – Wholesale Australian Property Fund

## Commitment to regular communications

It is important that investors are provided with material information that is disclosed in a timely way and in a form that is accessible. In light of the current circumstances, AMP Capital will provide monthly updates on our real estate and infrastructure funds which will address:

- Investment approach
- Capital management
- Operational matters
- Valuation policy

This information will be made available on AMP Capital's website on the 5th business day of each month until further notice. Please note, that given the current volatility and the wide range of stakeholders inherent in retail funds we will not be providing further interim details on sensitive matters (other than through the periodic update on the website or through communications to all investors) to avoid any unequal treatment of investors or other stakeholders.

## Investment approach

The Wholesale Australian Property Fund aims to provide investors with income and long-term capital growth through investment in an established and diversified portfolio of Australian office, retail and industrial properties. The Fund primarily invests in direct property and may also invest in Australian listed property securities and cash to assist in managing the Fund's return profile and liquidity. The Fund generally targets assets which have high occupancy rates and stable income streams underpinned by leases to long-term, secure commercial tenants. The Fund currently owns interests in 26 properties, with the largest investment accounting for just 9.4% of the Fund's assets.\*

To reduce risk, diversification is achieved through investment in properties with a range of performance and risk profiles, located in different markets throughout Australia. As at 31 December 2019, the portfolio occupancy rate is 96% and no tenancy accounted for more than 4.0% of the Fund's revenue.

- **Retail** – the Fund's retail portfolio is anchored by supermarkets including Coles (Casula Mall, Sydney; and Stud Park, Melbourne); Woolworths (Stud Park, Melbourne; Gasworks Plaza, Brisbane); and Aldi (Casula Mall, Sydney). Pedestrian foot traffic has not declined at these centres due to consumers stocking up on staple goods. Our centre management teams are in regular contact with our tenants. We have distributed information to tenants and are meeting regularly to assist them. We are tracking this information on a daily basis. We have received requests for rent abatements, however we are working with tenants on other forms of assistance, such as payment plans, as opposed to abatements at this stage, given we don't know the full duration or impact of COVID-19.
- **Office** – Our property managers are in regular contact with our tenants. They will be sending regular updates to our tenants and encouraging their questions. All queries received from our tenants will be answered in a timely manner. Emergency Management and BCPs are in place and we are encouraging tenant customers to review their BCPs.

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\* As at 31 December 2019

- **Logistics** – all the buildings are operational and there are no specific issues to report. Much like Office, the Logistics sector is shielded from the effects of Covid-19 in the short term. In fact, the Logistics sector is likely to see an improvement of performance, resulting from the increased e-commerce trade and corresponding demand on logistics facilities, as retail shoppers stay away from shopping centres, preferring to buy online.

## Capital management

National Mutual Funds Management Ltd (the Responsible Entity) aims to process withdrawal requests monthly and withdrawal requests will generally be paid within five Business Days after the Specified Withdrawal Date (as defined in the Fund's Product Disclosure Statement (PDS)). Withdrawals will be limited to 5% of the net asset value of the Fund per calendar quarter (although we have discretion to alter this amount).

At this time we are intending to continue to process daily applications and monthly redemptions.

Should current circumstances significantly change, we have discretion to make changes to the frequency of applications and redemptions as outlined in the PDS. Please refer to the [PDS](#) for full details regarding applications and redemptions.

By way of summary, the Fund's constitution allows withdrawal requests to be paid 12 months after the Specified Withdrawal Date or even longer in the circumstances specified in the Fund's constitution. These circumstances include where the Responsible Entity is unable to realise sufficient assets due to circumstances beyond its control, such as restricted or suspended trading in the market for an asset.

The amount of cash available in any month will be affected by a number of factors which include (but are not limited to) the amount of applications and redemptions received in a particular month, outstanding withdrawals from prior months, capital expenditure requirements in the property portfolio, the availability of debt and acquisitions and/or divestments of properties or property securities.

Where the amount of funds available for meeting withdrawal requests is not sufficient to fully meet all withdrawal requests relating to a Specified Withdrawal Date, withdrawal amounts may be paid in part. Where withdrawals are paid in part, the outstanding unpaid amount will be paid once sufficient cash is available to meet withdrawal requests relating to the Specified Withdrawal Date and may be paid in priority to withdrawal requests subsequently received by the Responsible Entity. Investors should be aware that withdrawal requests can only be processed and met while the Fund is liquid.

At this time, the Fund remains liquid.

The Fund's liquidity position will continue to be monitored. In the event that the Fund is not able to meet withdrawal requests in part or in full or if the Fund is declared illiquid, the Responsible Entity will as soon as practicable communicate how it plans to meet withdrawal requests in the future. This communication will include the steps to be taken over the next 12 months and the expected liquidity position during this time. This may involve raising equity from new investors, utilising existing cash, increasing the level of debt, selling property securities, selling direct property or undertaking a combination of these measures. Quarterly updates will provide an update on the steps taken or proposed to be taken, the expected liquidity position and the anticipated timeframe to implement these steps. The updates will be provided until such time as monthly processing of withdrawal requests resumes.

Debt may be used by the Fund to acquire investments, fund capital expenditure or meet its liquidity needs (such as funding withdrawals). The Fund's target gearing range is 0-15% of gross assets. The maximum amount the Fund may borrow is 25% of gross assets at the time the debt is drawn (this does not apply to debt being refinanced, even if the amount exceeds 25% of gross assets at the time of refinancing).

The Fund currently holds a \$500 million debt facility, of which \$165 million is drawn. As at 20 March 2020, the drawn debt equates to 7.5% of the Fund's gross assets.

Sources of liquidity immediately available as at 20 March 2020 include:

Source	\$
Debt – undrawn	\$335.0 million
A-REITs	\$107.2 million
Cash	\$76.0 million

In addition, the Fund owns interests in 26 properties and may elect to sell one or more of these to bolster liquidity.

In response to the current circumstances, we have taken the following measures:

- Acquisitions – we will not be considering acquisitions until conditions settle down
- Developments – we will not be proceeding with the development of Holbeche Industrial Estate
- A-REITs – we have trimmed our exposure from 9% of gross assets to 5% of gross assets over the course of the month
- Debt refinance – we have no exposure to debt refinancing in the next 6 months
- Increased disclosure – we have increased our reporting frequency from quarterly to monthly in order to keep all stakeholders abreast of developments in a timely manner

## Operational matters

Working from home is currently the preferred arrangement for AMP Capital employees. Asset based teams have also put in place flexible work arrangements that ensures we best balance the requirements to effectively and safely manage the asset, while also ensuring the availability of a backup team.

Unless deemed essential, we've also announced that all meetings should utilise video conferencing technology available to us. A COVID-19 Steering Committee has been formed and meets daily to carefully monitor evolving situation.

We remain committed to delivering on our purpose and supporting our clients during this time.

## Valuation policy

AMP Capital's Asset Valuation Policy specifies that real estate valuations are determined by independent valuers annually or more frequently to comply with certain scheme mandates as required. The valuation practice in relation to the Fund has been to have all properties

independently valued by a registered valuer every quarter (unless the property is being marketed for sale, is under development or is co-owned).

Written valuation policies are maintained and complied with in relation to direct property investments. The Responsible Entity has assigned AMP Capital responsibility for obtaining and managing valuations, and properties are valued according to the AMP Capital Australian Real Estate Valuation Guidelines. These Guidelines set out the methodologies used by AMP Capital and its appointed agents to value direct property assets managed by AMP Capital, or where AMP Capital is the appointed responsible entity or trustee.

If the directors form a view that there is a likelihood that there has been a material change in the value of the property, AMP Capital's policy requires that a new independent valuation be obtained within 2 months.

In response to the current circumstances we have taken the following measures:

- **31 March valuations** – we have asked that valuers review their draft valuation numbers to take into account likely impacts to future cash flows and increased credit risks. In most cases this resulted in the valuation being revised down to reflect current market conditions.
- **Monthly valuation updates** - valuations of all of the properties in the Fund which are currently on a quarterly cycle will be updated by valuers on a monthly basis. The updates will take movements in the tenancy schedule, recent comparable transactions and the valuer's latest assumptions around future cash flows into account. These valuations will be used to calculate the unit price.

The Royal Institute of Chartered Surveyors (RICS) is recommending that valuation firms explicitly reference the material uncertainty due to Novel Coronavirus (COVID-19). The RICS disclosure is included immediately below. The valuations as at 31 March 2020 include similar clauses and all valuation firms are expected to include these clauses for the foreseeable future.

*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In [country / region], market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review.*

## Paying a regular distribution

The Fund's objective is to pay distributions every quarter, however the amount of each distribution may vary or no distribution may be paid in a quarter.

The Fund's distribution policy is to pay distributions sourced from its cash from operations, which is primarily comprised of rental income but may also include interest and realised capital gains. However, where the Fund's income or distribution per unit would otherwise be temporarily reduced, then the Fund may include a component of capital as part of the distribution. This may involve part

of the distribution effectively being funded from borrowings.

The following factors are relevant to determining the amount of the distribution:

- the sources of distributions (the Fund primarily sources distributions from net operating income)
- levels of occupancy in the Fund's direct real property assets
- the average term to expiry of leases on the Fund's direct real property assets, and
- the number of tenants occupying each of the Fund's direct real property assets (having multiple tenants reduces the impact of fluctuations in rental receipts where for any reason a tenant fails to meet its obligations or a vacancy arises).
- the level of debt held by the Fund and the interest rate applying to this debt.

For the March 2020 quarter, the distribution per unit (DPU) for the Wholesale Australian Property fund will be 1.81 cents per unit, which is the same DPU as December 2019.

If the cash held by the Fund exceeds the taxable income of the Fund, tax deferred amounts may be distributed. At the time of your initial or additional investment in the Fund, there may be unrealised capital gains or accrued income in the Fund. If these amounts are subsequently realised, they may be returned to you as part of a distribution from the Fund.

## Latest Fund performance report

Please click on the link below to access the latest performance report for the Wholesale Australian Property Fund:

[Direct & on-platform investors](#)

## We're here to support you

If you are a direct investor and would like to speak to someone in regards to your investment, please contact Client Services on 1800 658 404 or email [clientservices@ampcapital.com](mailto:clientservices@ampcapital.com).

If you are an adviser, you can contact Client Services as above or your [State Account Manager](#)

### Important note

National Mutual Funds Management Ltd. (ABN 32 006 787 720, AFSL 234652) (NMF) is the responsible entity of the Wholesale Australian Property Fund (Fund) (ARSN 088 996 392) and the issuer of the units in the Fund. To invest in the Fund, investors will need to obtain the current Product Disclosure Statement (PDS) from AMP Capital Investors Limited (ABN 59 001 777 591, AFSL 232 497) (AMP Capital). The PDS contains important information about investing in the Fund and it is important that investors read the PDS before making a decision about whether to acquire or continue to hold or dispose of units in the Fund. Neither AMP Capital, NMF nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this information. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this information, AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in it including without limitation, any forecasts. This content has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of this information, and seek professional advice, having regard to their objectives, financial situation and needs. This information is solely for the use of the party to whom it is provided and must not be provided to any other person or entity without the express written consent of AMP Capital.