Core Property
Fund Research & Ratings
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Unlisted Property Fund Report

Castlerock Government Property Fund

April 2024

Well managed portfolio of government leased offices targeting a 7.8% yield in FY25

Castlerock Government Property Fund

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

IMPORTANT NOTICE

Core Property
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Castlerock Government Property Fund

April 2024

The Castlerock Government Property Fund ("the Fund") is an unlisted property fund that invests in a portfolio of government leased office assets across Australia. The Fund is managed by Castlerock Property Pty Ltd ("Castlerock", "the Manager"), which was established in 2000 and has a strong history of developing and managing offices leased to federal and state government entities, with over $670M of assets under management.

The Fund was established in 2014 and has a track record of delivering income sourced from highly secure long term government leases. The Manager has a strong relationship with government departments and is often engaged to develop assets to meet their requirements. In recent years the Fund has also hedged the majority of its debt in order to reduce interest rate risks for investors. The Fund has delivered a total return of 10.3% p.a. since its launch in 2015. The majority of the return has been delivered by distribution income, which averages 9.0 cents per unit. The Fund is an open-ended registered managed investment scheme, with investment open to retail investors.

The Manager is seeking to raise up to $30M through the issue of 23.2M units at $1.26 per unit ("the Offer"). The Manager may amend the raising amount and period, subject to its discretion. The amount will be used to initially reduce borrowings with debt to be progressively drawn down over 12 months to complete a property development in Frankston VIC (approximately $25M of additional construction). The Fund is also seeking to acquire/develop additional properties to add to the portfolio.

The property portfolio is valued at $502M across 13 properties located in QLD, NSW, WA, VIC and TAS. The portfolio includes a development property which, on completion is estimated to increase the portfolio to $526M. Portfolio metrics are exceptional: (1) portfolio occupancy of 99%, with 96% of income being sourced from various government tenants; (2) average contracted rent increases of 3.6% p.a.; and (3) a Weighted Average Lease Expiry (WALE) of 5.9 years. The portfolio metrics provide strong support for the Fund's strategy to deliver investors a predictable income distribution with the potential for long term growth.

The Manager is forecasting distributions of 9.8 cents per unit in FY25, equivalent to a 7.8% p.a. distribution yield (based on an Issue Price of $1.26 per unit).

The Fund has a conservative approach to debt, which has allowed the Fund to deliver consistency in its distributions. Distributions have been held at 9.8 cents per units in the past 2 years and is expected to remain so during FY24 and FY25 as a result of the Manager being an early adopter of hedging its debt facility. Around 94.7% of drawn debt is hedged with the Fund having a current all-in cost of debt of 3.97%. The portfolio Loan-To-Value Ratio (LVR) is 42.4% against an LVR covenant of 60%. Core Property considers this provides good metrics by significantly reducing the interest rate risk for investors in the current environment.

The Fund offers liquidity via an annual redemption facility in February of each year (of up to 2.5% of equity), as well as a full liquidity offering in February 2026 and every 5-years thereafter. Core Property considers the Fees paid to be appropriate for the nature of the investment.

Based on the Manager's forecasts, Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of between 10.4% - 12.5% p.a. (midpoint 11.5% p.a.) over a 5-year term. The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions. Investors should note the portfolio may change over time, which may impact returns.

Core Property considers the Fund would appeal to investors who are seeking a highly secure income distribution with rental income supported by a portfolio of long-term government tenancies. Capital growth is expected to be driven by contracted rental growth, as well as market conditions. The Fund should be considered as part of a Core investment strategy. As property is illiquid by nature, investors should expect to remain invested for at least 5 years. This report should be read in conjunction with the Target Market Determination provided by the Manager, as required by s994B of the Corporations Act 2001.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products.

Fund Details	
Offer Open:	8 March 2024
Offer Close:	31 May 2024[1]
Min. Investment:	$50,000[2]
Unit Entry Price:	$1.26 per unit
Net Tangible Asset per unit:	$1.22 per unit
Liquidity:	Limited Annual (2.5% of NAV) Full Liquidity every 5-Years (Feb 2026)[3]
FY25 Forecast Distributions:	9.8 cpu[4] (7.8% p.a. yield on Issue Price)
Distribution Frequency:	Quarterly
Investment Period:	5 years (recommended)

1. The Offer may be closed or extended by the RE at its discretion.
2. The RE may accept lower amounts at its discretion. Minimum investment of $50,000 for new investors. Existing investors may apply for new units with a minimum application for $10,000 of new units.
3. The RE offers a limited annual withdrawal facility of 2.5% of net assets in February each year, as well as periodic liquidity event every 5 years beginning in February 2026
4. Based on the RE's forecasts.

Fund Contact Details

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Note: This report is based on the Castlerock Government Property Fund Product Disclosure Statement dated 8 March 2024, together with information provided by Castlerock Investment Management.

Key Considerations

Management: The Fund is managed by Castlerock Property, a privately-owned company established in 2000 with a strong track record in managing office buildings for the Commonwealth and State Governments of Australia. Castlerock currently manages $670M of assets across 33 government leased properties.

Fund Structure: The Fund was established in 2014 and is an open-ended, registered managed investment scheme. The Fund will offer new units to investors at select periods, in order to raise capital for acquisitions and development. The Fund is open to retail investors.

The Offer: The Manager is looking to raise up to $30M through the Offer of 23.2M units at $1.26 per unit. The funds raised will be initially used to reduce borrowings, with debt expected to be drawn down over 12 months in order to fund the completion of a development in Frankston VIC. The Fund is also seeking to acquire/develop additional properties to add to the portfolio.

Fund Strategy: The Fund invests in properties that provide predictable and growing income streams underpinned by long term government tenancies.

Property Portfolio: The property portfolio comprises 13 office assets valued at $502M, diversified across regional cities in Australia. The portfolio holds exceptional metrics; (1) 99% occupancy with 96% of income sourced from government departments, (2) long term leases in place with a portfolio Weighted Average Lease Expiry (WALE) of 5.9 years, and (4) contracted average annual rent increases of 3.6% p.a.

Debt Profile: The Fund's debt facility has a Loan To Value Ratio (LVR) of 42.4%, providing a sufficient buffer to the LVR covenant of 60%. The Interest Cover Ratio is 4.1x against an ICR covenant of 2.25x. The Fund adopts a conservative approach to debt, and has hedging in place on 94.7% of drawn debt with hedge maturities due across the next 2-7 years (average 4.1 years).

Issue Price/ NAV: New units are being issued at a price of $1.26 per unit, which includes an allocation of acquisition costs for the properties in the portfolio, as the Fund amortises upfront acquisition costs over a 5-year period. The Fund's Net Asset Value (NAV) is $1.22 per unit, based on the expensing of costs.

Distributions are forecast to be 9.8 cpu in FY25, equivalent to a 7.8% p.a. distribution yield on the Issue Price.

Fees: Core Property considers the fees to be appropriate for the nature of the investment.

Total Returns: Core Property estimates the Fund to deliver an IRR of between 10.4% and 12.5% p.a. (midpoint 11.5% p.a.) based on the Fund's sensitivities (+/- 25 bps sensitivity to the cost of debt and capitalisation rates). Our estimates are based on the Manager's assumptions for the existing portfolio. As an open ended fund, the total return will depend on the entry and exit price as well as market conditions, and a return outside this range may be possible.

Liquidity: The Manager intends to offer a limited withdrawal facility, capped at 2.5% p.a. of the Fund's net assets each year in February. The limited withdrawal facility will not be offered in February 2026, as the Manager intends to provide full liquidity to investors via a Periodic Liquidity Event. The Periodic Liquidity Event will be provided on a rolling 5-year basis.

Related Party Transactions: The RE, Castlerock Investment Management, is a related entity of the Manager, Castlerock Property Pty Ltd. The Fund Manager maintains a Conflicts of Interest Policy and Related Party Transactions policy. Investors should be aware that the structure of the Fund provides for related parties to earn fees as part of the normal operations of the Fund. To manage the related party transactions the Trustee Board consists of three independent directors including the Chairman.

Investment Scorecard

Investment Scorecard	
Management Quality	★★★★☆
Governance	★★★★☆
Portfolio	★★★★☆
Income Return	★★★★☆
Total Return	★★★★☆
Gearing	★★★★☆
Liquidity	★★☆☆☆
Fees	★★★☆☆

Key Metrics

Fund Structure	
The Fund is a registered managed investment scheme investing in a portfolio of direct properties in Australia, primarily supported by leases to government agencies.	

Management	
The Manager, Castlerock, was established in 2000 and has a strong history of developing and managing government leased offices, with over $650M of assets under management.	

Portfolio Metrics	As at March 2024
No of Properties:	13
Valuation:	$502M
Property Location:	QLD, NSW, WA, VIC, TAS
Property Sector:	Office
Key Tenants:	QLD Government (59.5% of income), Commonwealth Government (9.0% of income), WA Government (13.5% of income), VIC Government (8.1% of income), TAS Government (6.6% of income).
Occupancy	99.0%
WALE:	5.9 years

Return Profile	
Forecast Distribution:	FY25: 9.8 cents per unit (7.8% p.a. yield on Issue Price)
Distribution Frequency:	Quarterly
Tax advantage:	est. 50% tax deferred
Estimated Levered IRR (pre-tax, net of fees):	10.4% - 12.5% p.a. (midpoint 11.5% p.a.)
Investment Period:	Recommended 5 years

Risk Profile	
Property/Market Risk:	Capital at risk will depend on a portfolio of 13 properties in QLD, NSW, WA VIC and TAS. The portfolio may change over time through acquisitions and development properties. Investors will be exposed to a potential capital gain or loss, based on market conditions.
Debt Risks:	Interest rates are hedged for a portion of the debt in the Fund. Any change in the cost of borrowings may impact the distributable income in the remaining term of the Fund. The debt facility will need to be extended or renewed by March 2025 for the Fund to continue.
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand.

For a more detailed list of the key risks, refer to "Section 7: Risk Overview" of the Product Disclosure Statement.

Fees Paid	
Entry Fees:	Nil
Exit Fees:	Nil
Buy/Sell Spread:	0% / 2.5%
Development Fee/Acquisition Fee:	2.675% of the completed value of the asset developed or acquired.
Management Fees:	Management Fee: 0.85% p.a. of GAV. Admin Fee: 0.15% of the Funds GAV
Disposal Fee:	1.0% of the sale price of the property.
Performance Fee:	A fee of 20% of the outperformance over an 11% internal rate of return. Calculated for initial 12 years to Feb 2026, and every 10 years thereafter.

Debt Metrics	
Drawn Debt / Facility Limit:	$211.2M / $220M
Loan Period:	March 2025 (Existing facility)
LVR / Loan Covenant:	42.4% / 60.0%
ICR / ICR Covenant:	4.1x / 2.25x

Legal	
Offer Document:	Castlerock Government Property Fund Product Disclosure Statement dated 8 March 2024
Wrapper:	Unlisted Property Fund
Responsible Entity	Castlerock Investment Management Ltd (ACN 125 737 091, AFSL No.318368)
Manager:	Castlerock Property Pty Ltd (ACN 075 504 399)
Custodian:	Sandhurst Trustees Limited (ABN 16 004 030 737)

Detailed Review

Fund Overview

The Castlerock Government Property Fund ("the Fund") is unlisted property fund that provides an investment in a portfolio of properties predominantly leased to Commonwealth and State Government across Australia. The Responsible Entity ("RE") is Castlerock Investment Management, which is a related entity of the property and development manager being Castlerock Property ("the Manager"). Castlerock was established in 2000 and has a proven track record with over 20 years of experience in developing and managing office assets leased to various Federal and State Government entities. Key members of the management and related entities currently hold around 5% of the units in the Fund providing an alignment of interest for investors.

The Fund was established in 2014 and has generated a total return of 10.3% p.a. since inception to December 2023.

The Fund is open-ended, however capital raisings are undertaken based on the capital requirements of the Fund. The RE is looking to raise $30M through the issue of 23.8M units at $1.26 per unit ("the Offer"). The proceeds will be initially used to reduce borrowings, with debt expected to be drawn down over 12 months in order to fund the completion of a development in Frankston VIC. The Fund is also seeking to acquire/develop additional properties to add to the portfolio.

The portfolio consists of 13 properties valued at $502M and is 99% occupied with 96% of property income leased to secure government tenancies with a portfolio Weighted Average Lease Expiry (WALE) of 5.9 years.

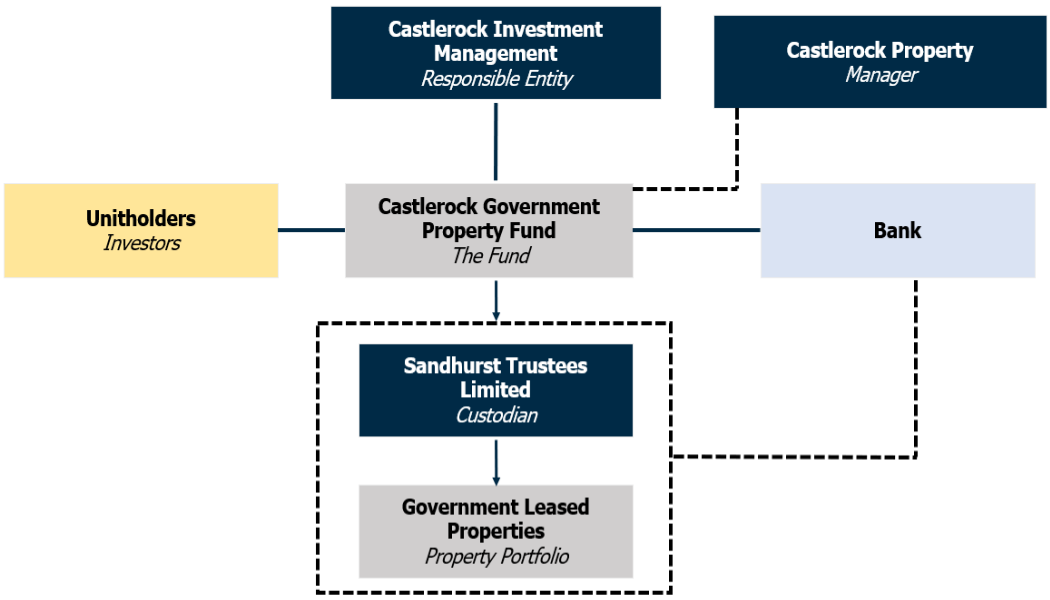
The Manager is forecasting an FY25 distribution of 9.8 cents per unit, which equates to a yield of 7.8% p.a. based on a $1.26 per unit issue price.

The Fund was initially established as a closed-ended unregistered managed investment scheme, with an initial term of 12 years of February 2014 – 2026. In 2020 the Fund became a registered investment scheme, allowing retail investors to invest in the Fund. The Fund also moved to an open-ended structure, with a periodic liquidity event to be offered every 5-years, (in addition to an existing annual liquidity offer) as well as amendments to the fee structure.

As a registered managed investment scheme, the Manager has appointed Sandhurst Trustees Limited as the Custodian of the Fund ("the Custodian"), a wholly owned subsidiary of Bendigo and Adelaide Bank. Each asset of the Fund is held by the Custodian, which will indirectly be owned by investors.

As an open-ended fund, the Manager intends to actively investigate potential acquisitions and development opportunities that are underpinned by secure government leases. As such, the RE is expected to continue to raise funds from time to time to support the growth of the Fund.

Figure 1: Fund structure



Source: Castlerock, Core Property

Fund Strategy

The core investment objective of the Fund is to develop and purchase a portfolio of properties predominantly leased to Commonwealth and State Government across Australia. This in turn would support the objective of providing a predictable and sustainable income distribution and consequently the potential for capital growth in the long term. Since inception, the Fund has been able to grow the portfolio and operate in line with its stated objectives.

For new developments, the Fund will only commit funds if:

- A government department or agency has committed to lease the building at completion;
- A development proposal has been assessed and approved by the Responsible Entity's Board; and
- Debt funding is anticipated to be available in line with the Fund's target LVR ratio.

The Manager intends to acquire further properties over time however it may decide not to do so if it is deemed to be in the best interests of unitholders.

History of the Fund

The Fund was established as the Auslink Property Trust No.2 in February 2014 with an initial term of 12 years. Originally established as an unregistered managed investment scheme available for wholesale investors, the Fund has since become an ASIC registered managed investment scheme, allowing retail investors to acquire units within the Fund. The Fund has become an open-ended fund with full redemptions of units once every five years. In March 2024 the Fund changed its name to the Castlerock Government Property Fund.

Since its establishment in 2014, the Fund has only disposed one asset, 90 Crown St, Wollongong NSW, which was acquired for $46.3M in December 2016 and sold for $50.4M in April 2019.

Since inception, the Fund has delivered an annualised return of 10.3% p.a. (as at December 2023). The majority of the return has been delivered by way of income distributions, which have averaged 9.0 cents per unit over this period.

The current spread between the NTA per unit and the Issue Price takes into account the acquisition costs which are allocated across all unitholders. A summary of the Fund's key metrics is provided below.

Figure 2: History of the Fund

Castlerock Government Property Fund	June 2015	June 2016	June 2017	June 2018	June 2019	June 2020	June 2021	June 2022	June 2023	Dec 2023
Property Value	$2.5M	$10.0M	$71.3M	$100.8M	$124.5M	$260.9M	$346.5M	$533.4M	$508.4M	$499.1M
No of Properties	1	2	3	5	8	9	10	12	13	13
Borrowings	-	-	$22.5M	$23.2M	$29.0M	$107.0M	$165.4M	$229.4M	$204.7M	$211.2M
Net Assets	$4.2M	$14.8M	$46.1M	$75.1M	$90.1M	$144.9M	$184.7M	$318.6M	$314.8M	$292.6M
Units on Issue	$4.3M	14.9M	43.5M	61.9M	77.5M	127.0M	145.1M	217.3M	238.8M	240.3M
NTA per Unit	$0.97	$1.00	$1.06	$1.22	$1.16	$1.14	$1.27	$1.47	$1.32	$1.22
New Units Issued	4.3M	10.6M	28.6M	18.4M	15.7M	50.2M	18.2M	72.7M	23.5M	1.5M
Issue Price	$1.00	$1.00	$1.15	$1.26	$1.26	$1.28	$1.36	$1.47	$1.37	$1.30
Annual distributions per unit	8.0 cpu	8.0 cpu	8.0 cpu	8.5 cpu	9.0 cpu	9.3 cpu	9.5 cpu	9.8 cpu	9.8 cpu	9.8 cpu (forecast)
Distribution yield (%) – p.a.[1]	8.0%	8.0%	8.0%	7.3%	7.1%	7.4%	7.0%	6.7%	7.2%	7.8%[2]
Loan to Valuation Ratio (LVR)	0%	0%	31.5%	23.0%	23.3%	41.0%	47.7%	43.1%	40.3%	42.3%

Note 1: Distribution yield is calculated by taking the annual distributions divided by the previous year Issue Price. Note 2: Yield is based on forecast distribution of 9.8 cpu and the current Issue Price of $1.26 per unit. Source: Castlerock

Unit pricing

Core Property has reviewed the unit pricing of the Fund. The calculation allocates a portion of acquisition costs to the unit price as well as any accrued income or distributions. Unit prices are calculated on a quarterly basis.

Issue Price / Application Price: The Issue Price / Application Price for new units is calculated as follows:

Application Price = (Net Asset Value + Acquisition Costs adjustment +Transaction Costs – Accrued Income) / Total Paid Up Capital.

- The Application Price includes an adjustment to ensure investors are allocated a portion of the property Acquisition Costs, which are amortised over a 5-year period.
- The Fund currently does not charge any Transaction Costs (or Buy Spread) for the issue of new units.

Withdrawal Price: The Withdrawal Price for investors is calculated as:

Withdrawal Price = (Net Asset Value + Acquisition Costs adjustment -Transaction Costs – Accrued Distribution) / Total Paid Up Capital.

- For withdrawals, the Fund currently charges Transaction Costs of 2.5% of the unit price. This amount takes into account the proportionate share of property selling costs and expenses for each unit.

Distribution Reinvestment Plan: The Fund offers a Distribution Reinvestment Plan for investors who wish to reinvest their quarterly distributions as additional units. Units allocated under the Distribution Reinvestment Plan are issued at the Application Price for the same quarter as the distribution.

Liquidity / exit strategy

The Fund provides two forms of liquidity to investors:

Limited Withdrawal Offers: The RE provides an annual Limited Withdrawal Offer in February each year. The total amount of withdrawals each year will be limited and is expected to be capped at 2.5% of the Fund's Net Assets at that date. The Limited Withdrawal offer is subject to the Fund having available sufficient liquid assets at the time. If there are redemption requests that exceed the total amount available, each unitholder requesting a redemption will be offered a pro-rata entitlement to redeem their units. The Manager has advised that since the Fund was established in 2014 it has met all requests for redemptions under the Limited Withdrawal Offer.

Periodic Exit Opportunities: At the end of each five-year period, the Manager intends to offer a periodic exit opportunity for investors wishing to redeem all or some of their investment. The Manager will use its best endeavours to satisfy the redemption requests of Investors. To provide liquidity, the Manager may increase the Fund's borrowings, sell one or more of the Fund's properties, raise new equity, or provide a matching facility where investors who wish to purchase more Units can do so from those Investors wishing to exit.

The Manager may cancel, defer, scale back or suspend the Limited Withdrawal Offers or Periodic Exit Opportunities where it may be impracticable to offer liquidity or when it is not in the best interest of the remaining investors. The first Periodic Exit Opportunity is expected to occur around February 2026 and every 5-years thereafter. The Exit Price will be calculated based on the Net Asset Value of the Fund at the time, with an adjustment for any transaction costs.

The Portfolio

The Fund's portfolio consists of 13 assets valued at $501.8M, which includes 12 completed assets and 1 property under development in Frankston VIC. All assets in the portfolio are anchored by State Government or Commonwealth Government tenants with long lease agreements in place. The portfolio has a WALE of 5.9 years (as at March 2024), with all properties having high NABERS energy rating of 4.5 – 6.0 stars.

The portfolio has properties located in QLD, NSW, VIC, WA and TAS. The property at 383 Nepean Highway, Frankston VIC is a currently under development and consists of a purpose 5-level office building that is being purpose built for the Victorian Government. The property is currently valued at $31M and has a further ~$25M of development to be undertaken with a target completion by March 2025. The funds raised under the Offer will be used to initially reduce borrowings, which then be progressively drawn down to complete the construction of the Frankston development.

The table below provides a summary of the portfolio. Further details of each property can be found in the Appendix.

Figure 3: Portfolio Summary – as at March 2024

Portfolio	Acqn Date	NLA - sqm	Key Tenant	NABERs Energy Rating	Valuation	Portfolio weight %	Cap Rate	Occ %	WALE- years
117 Brisbane St, Ipswich QLD	2021	17,866	QLD Govt (90%)	5.5	136.0	27.1%	7.25%	99%	4.3
445 Flinders St, Townsville, QLD	2020	11,616	QLD Govt (94%)	6.0	96.0	19.1%	7.50%	94%	4.3
45 Kembla St, Wollongong NSW	2020	6,763	ATO (84%)	5.5	50.7	10.1%	6.50%	98%	4.4
5 Milldale Way, Mirrabooka, WA	2017	6,514	WA Govt (100%)	5.5	48.3	9.6%	6.50%	100%	9.0
44 Nelson St, Mackay, QLD	2018	7,056	QLD Govt (99%)	5.5	47.0	9.4%	7.00%	99%	1.5
65 Church St, Morwell, VIC	2020	4,053	VIC Govt (98%)	6.0	29.0	5.8%	6.00%	100%	11.6
16-24 Charles St, Launceston, TAS	2019	4,822	TAS Govt (98%)	5.0	32.0	6.4%	5.75%	100%	10.1
22 Hamilton Rd, South Hedland, WA	2016	1,125	WA Govt (100%)	5.0	7.7	1.5%	7.00%	100%	7.1
1-3 Helm St, Kangaroo Flat, VIC	2019	1,218	CFA (100%)	4.5	7.5	1.5%	6.00%	100%	5.3
12 Queen St, Warragul, VIC	2018	622	VIC Govt (100%)	4.5	4.7	0.9%	6.25%	100%	4.4
2A Barries Road, Melton, VIC	2018	810	VIC Govt (100%)	4.5	5.0	1.0%	6.25%	100%	4.8
225 Butler Boulevard, Butler WA	2022	1,133	WA Govt (100%)	NA	6.9	1.4%	5.75%	100%	14.3
Sub Total		**63,642**		**5.5**	**470.8**	**93.8%**	**6.87%**	**99%**	**5.9**
383 Nepean Highway, Frankston VIC (under construction)	Expected completion March 2025	7,650	VIC Govt (75%)		31.0[1]	6.2%			
Total		**71,292**			**501.8[2]**	**100%**	**6.87%**	**99%**	**5.9**

Note 1: Expected value $55.0M on completion in 2025. Note 2: Total portfolio expected value $525.8M, pro forma including Frankston VIC on completion. Source: Castlerock

Leases, tenants and income

The portfolio is focussed on long term leases to government tenants:

- 96% of the portfolio is being leased government tenancies.
- Lease terms provide for an average 3.6% p.a. in rent increases across the portfolio.
- Around 56.9% of the gross rental income falls due in 2028, with the leases at the 3 largest properties all falling due in September 2028.

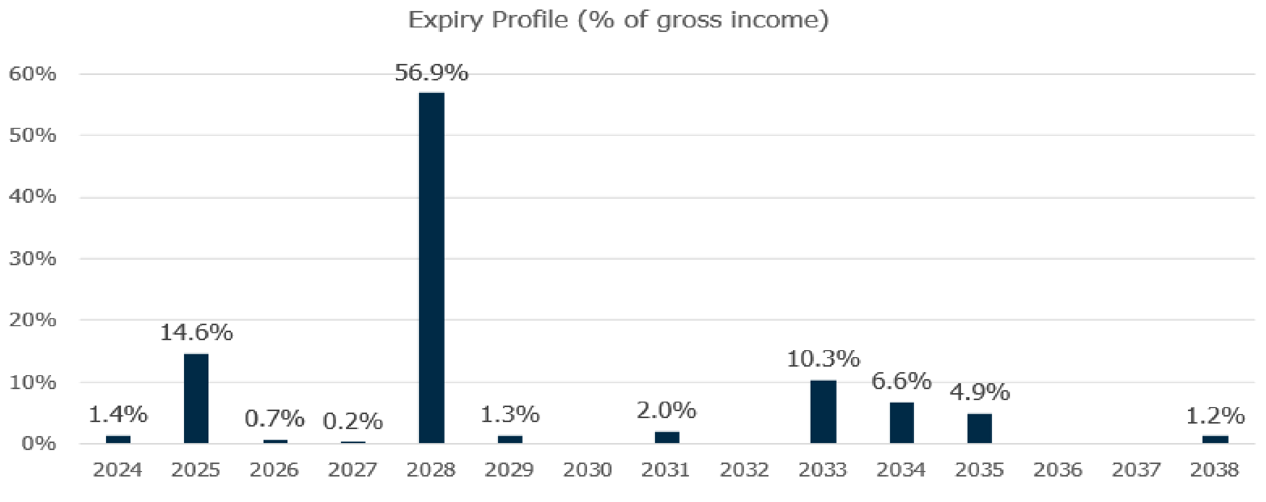
A summary of the key tenancies is provided as follows.

Figure 4: Key Tenants

Property	% of Portfolio Income	Tenant (% of building)	Lease Term - Expiry	Options	Annual Reviews
117 Brisbane Street, Ipswich, QLD	28.2%	QLD Govt (90%)	15 yrs - Sep 28	5+5 yrs	3.75% p.a.
445 Flinders Street, Townsville, QLD	20.9%	QLD Govt (94%)	15 yrs - Sep 28	5 yrs	4.00% p.a.
45 Kembla Street, Wollongong, NSW	9.4%	ATO (84%)	15 yrs - Sep 28	5+5 yrs	3.90% p.a.
5 Milldale Way, Mirrabooka, WA	10.3%	WA Govt (100%)	15 yrs - Mar 33	5+3 yrs	3.25% p.a.
44 Nelson St, Mackay QLD	13.0%	QLD Govt (99%)	12 yrs - Aug 25	5+3 yrs	4.00% p.a.
65 Church Street, Morwell, VIC	5.0%	VIC Govt (98%)	15 yrs - Dec 35	5+5 yrs	3.50% p.a.
16-24 Charles St, Launceston, TAS	6.8%	TAS Govt (98%)	15 yrs - May 34	5+5 yrs	CPI (Hobart) or 2.0%, whichever greater
22 Hamilton Rd, South Hedland, WA	2.0%	WA Govt (100%)	15 yrs - Apr 31	5+3 yrs	4.00% p.a.
1-3 Helm Street, Kangaroo Flat, VIC	1.3%	CFA (100%)	10 yrs - Jun 29	5+5+5+5+5 yrs	3.50% p.a.
12 Queen Street, Warragul, VIC	0.9%	VIC Govt (100%)	10 yrs - Jul 28	5+5 yrs	3.25% p.a.
2A Barries Road, Melton, VIC	0.9%	VIC Govt (100%)	10 yrs - Dec 28	5+5 yrs	3.25% p.a.
225 Butler Blvd, Butler WA	1.2%	WA Govt (100%)	15 yrs - Jun 38	3+3 yrs	2.50% p.a.
Government leases – 96% of NLA					**Average 3.6% p.a.**

Source: Castlerock

Figure 5: Portfolio lease expiry profile



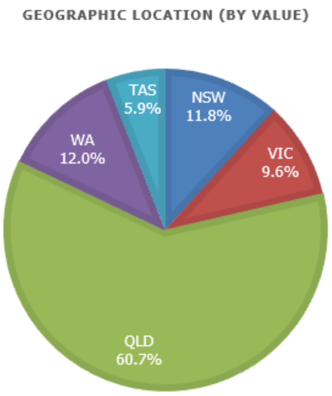
Source: Castlerock, Core Property

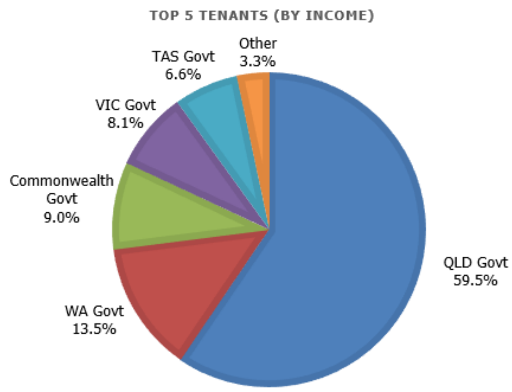
Diversification

The Fund's portfolio consists of 13 properties diversified across regional locations with a weighting to Queensland properties (60.7%) followed by WA (12.0%), NSW (11.8%), VIC (9.6%) and TAS (5.9%).

The portfolio's income is 96.7% derived from government tenants. The major contributor to this income is the QLD Government (59.5%), followed by the WA Government (13.5%), Commonwealth Government (9.0%), and the Victorian Government (8.1%) and TAS Government (6.6%). The remaining income is sourced from other office/retail leases in the property portfolio. The following is a summary of the portfolio tenants and geographic diversification.

Figure 6: Diversification metrics





Note: Values assume the Frankston VIC asset is valued at $55.0M on completion. Source: Castlerock

Capex

The Manager has allocated around $3M of capital expenditure for repairs and maintenance across the portfolio over the next 5 years. The amount is expected to be funded from existing cashflows.

Financial Analysis

Core Property has reviewed the financial forecasts for the Fund as provided by the Manager. The key observations are:

- The forecast is based on the Fund raising $30M of additional equity under the Offer, with the proceeds used as working capital with an initial pay down of debt.
- The Manager forecasting FY25 distributions of 9.8 cpu, equivalent to a distribution yield of 7.8%, based on a $1.26 per unit Issue Price.
- Based on the Manager's assumptions for the current portfolio, assuming no further acquisitions or divestments.
- Based on the Manager's current assumptions for debt costs with new debt estimated at 6.00%, reducing to 5.75% in FY25.
- The forecasts should be seen as indicative only. As an open-ended fund, investors should expect the portfolio to change as further properties are acquired and or sold. Core Property expects the Manager will seek further acquisitions on the basis that they are accretive to the Fund's earnings.
- The current Issue Price for units in the Fund is $1.26 per unit. The Issue Price is based on the NTA of $1.22 per unit which has been adjusted to include an allocation of property acquisition costs for new investors. Core Property notes the current ratio of Unit Price / Issue price is 0.97 per unit, as a large amount of the property acquisition costs have already been expensed by the Fund. Investors should also expect the NTA will move to take into account updated valuations and any further acquisitions or divestments undertaken.

A summary of the forecasts is presented below.

Figure 7: Forecast Cashflow and Historical Balance Sheet

Cashflow - Forecast $M	**Forecast FY25**
Property Income	41.6
Property Expenses	-3.8
Net Operating Income	**37.8**
Net Interest Expense	-6.6
Management Fees	-3.6
Administration Expenses	-0.8
Operating Profit	**26.9**
Capital Expenditure	**-0.4**
Distributable Profit	**26.5**
Undistributed Earnings – Retained by Fund	**-0.8**
Distributions	25.7
Distributions per unit	**9.8 cpu**
% Cash Distribution Yield (on $1.26 Issue Price)	7.8%
% Tax Deferred – estimate	50%

Historical Balance Sheet – $M	**30 June 2017**	**30 June 2018**	**30 June 2019**	**30 June 2020**	**30 June 2021**	**30 June 2022**	**30 June 2023**	**31 Dec 2023**
Cash & Other Assets	0.8	1.6	0.8	1.6	13.1	25.7	24.1	19.0
Investment Properties	71.3	100.8	124.5	260.9	346.5	533.4	508.4	499.1
Total Assets	**72.1**	**102.4**	**125.3**	**262.5**	**359.6**	**559.1**	**532.5**	**518.1**
Bank Borrowings	22.5	23.2	29.0	110.9	166.7	229.4	204.7	211.2
Other liabilities	3.5	3.7	3.9	6.7	8.2	11.1	13.1	14.2
Total Liabilities	**26.0**	**26.9**	**32.9**	**117.6**	**174.9**	**240.5**	**217.8**	**225.5**
Net Assets	**46.1**	**75.4**	**92.4**	**144.9**	**184.7**	**318.6**	**314.8**	**292.6**
Debt/ Total assets	**31.2%**	**22.7%**	**23.1%**	**44.8%**	**46.4%**	**41.0%**	**38.4%**	**40.8%**
NTA per unit	**$1.06**	**$1.22**	**$1.19**	**$1.17**	**$1.27**	**$1.47**	**$1.32**	**$1.22**

Source: Castlerock

Debt Facility & Metrics

The Fund currently has a debt facility with a $220M limit, with drawn debt of $211.2M. The debt facility has an expiry date of March 2025. The Fund has a target gearing of between 35% - 50%.

- The Fund has hedging in place for $200M of the debt, representing 90.9% of the facility limit or 94.7% of the drawn debt. The hedging is undertaken in 10 tranches at an average fixed rate of 3.76% with maturities in FY26 - FY31.
- The current average all-in cost of debt for the Fund is 3.97% (including both fixed and variable debt).
- The Loan To Value Ratio (LVR) is calculated at 42.4% against an LVR covenant of 60%. Core Property estimates the value of the properties will need to fall by 29.4% for this covenant to be reached.
- The Interest Coverage Ratio (ICR) is estimated to be 4.1x which is above the ICR covenant of 2.25x. Core Property calculates the Fund can withstand a 44.7% decline in income before it breaches the ICR covenant.

Core Property notes that the debt facility falls due in March 2025. The Manager will need to extend or replace the debt facility in order for the Fund to continue beyond this date or to factor in any further acquisitions.

Figure 8: Debt Metrics

Details	Metric
Bank	National Australia Bank
Security	First ranked mortgage secured against all the assets of the Fund.
Drawn Debt / Debt Facility Limit	$211.2M/$220.0M
Loan Expiry	March 2025
% Hedged	94.7% ($200M)
All-in cost of Debt	3.97% p.a. (current average)
LVR / LVR Covenant	42.4% / 60.0%
Interest covered ratio / ICR Covenant	4.1x / 2.25x
Amount by which valuation will have to fall to breach LVR covenant	29.4%
Decrease in rent income to breach ICR covenant	44.7%

Source: Castlerock, Core Property

Fees Charged by the Fund

Overall, Core Property considers the fees charged by the Fund to be appropriate (see All-in fee analysis below). Our view takes into account some higher fees being offset by lower fees, with a hurdle rate for the Performance Fee being set at a higher level in order to incentivise the Manager to outperform.

Figure 9: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry/Establishment Fee:	Nil	
Exit/Withdrawal Fee:	Nil	
Buy/Sell Spread:	Buy spread is Nil. Sell Spread is 2.5% of the exit value of units.	Core Property considers this to be appropriate. The Sell spread covers transaction costs and is retained as an asset of the Fund.
Development Fee/Acquisition Fee:	A fee of 2.675% of the completed value of each real property asset developed or acquired by the Fund.	The Acquisition Fee of 2.675% is higher than what Core Property has typically seen in the industry of 1% - 2%. The Development Fee of 2.675% is at the low end of what Core Property has seen in the industry of 5% - 8%.
Property Disposal Fee:	A fee of 1.0% of the sale price of each real property asset.	Core Property considers the Fee to be at the low end of what is typically seen in the industry (1.0% - 2.0% of the sale price).
Management Fee:	Management Fee of 0.85% p.a. of the GAV. Administration cost: est. 0.15% p.a. of GAV	The Management Fee of 0.85% is at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Performance Fee:	20% of the Fund's outperformance over an IRR of 11%. Calculated for Feb 2014 – Feb 2026, and every 10 years thereafter.	Core Property considers this to be an appropriate incentive for the Manager to outperform. The hurdle rate of 11% is higher than current market expectations of 8% for comparable Funds.
Replacement Fee:	2.5% of the GAV	Payable if the Responsible Entity is replaced.

Source: Castlerock, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the Manager as a percentage of all cash flow generated after deducting interest costs but before management fees. As the Fund is open-ended, the calculations are based on an assumed five-year term.

Based on our assumptions Core Property estimates that the Manager is entitled to approximately 5.9% of the total cash flow. Core Property considers the fees paid to the Manager to be at the low end of the range when compared to similar products, which are typically around 7% - 9%. In terms of the fees paid to the Manager, Core Property estimates that around 43.1% of the estimated fee is paid upfront and the remainder relates to ongoing management fees. The proportion of up-front fees is considered high as a result of the higher acquisition fees paid upfront to the Manager.

Core Property stresses that these are estimates of how much investors will receive and not guaranteed amounts, based on our assumptions. For further details, please refer to the *Financial Analysis* section.

Figure 10: Fees in Perspective – Over an estimated 5-year period

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 invested
Principal repayment to investors:	$1.26
Income and capital gains to investors:	$0.64
Total cash to investors:	**$1.90**
Acquisition fee:	$0.05
Base management fee:	$0.07
Disposal fee:	-
Fees for the Manager (excluding disposal/admin):	**$0.12**
Total cash generated by Fund:	**$2.01**
Fees = % of total cash generated (before fees)	5.9%
Fees= % of gains (before fees)	15.7%
Up-front fee vs total fees	43.1%

Source: Core Property

Expected Future Performance (IRR Sensitivity)

Core Property has estimated the total return for investors based on the Issue Price of $1.26 per unit over a five-year term and based on the assumptions provided by the Manager.

Using these assumptions Core Property expects the Fund to deliver an Internal Rate of Return (IRR) in the range of 10.4% – 12.5% p.a. (midpoint 11.5% p.a.) over a five-year term, and assuming a +/- 25 bps sensitivity to capitalisation rates and the average cost of debt. The calculations assume an average cost of debt of 4.26% over 5-years after taking into account the hedging in place on the debt.

Investors should be aware the sensitivities include the potential for the valuation of the assets to increase or decrease (depending on market conditions) which will result in either a capital gain or loss for investors. As an open-ended fund, the total return will depend on the entry and exit price of units and an IRR outside of this range is also possible depending on market conditions. The table below summarises our expected IRRs.

Figure 11: Pre-tax, 5.0-year IRR (after fees) sensitivity analysis

	Estimated IRR based on average cost of debt (5-years)				
Terminal cap rate	**3.76%**	**4.01%**	**4.26%**	**4.51%**	**4.76%**
6.37%	13.5%	13.3%	13.2%	13.1%	13.0%
6.62%	12.6%	12.5%	12.3%	12.2%	12.1%
6.87% (base)	11.8%	11.6%	**11.5%**	11.4%	11.2%
7.12%	10.9%	10.8%	10.6%	10.4%	10.2%
7.37%	9.9%	9.8%	9.6%	9.4%	9.2%

Source: Core Property

Management & Corporate Governance

Background of the Manager

Castlerock is a full-service property group, established in 2000 with over $670M of government leased assets under management. The business has a focus on acquiring, developing and managing assets which are underpinned by high occupancy rates, strong tenant metrics and long term, predictable returns. Castlerock has a deep understanding of government real estate at both State and Commonwealth levels, with a track record of successfully delivering more than 33 government leased properties and manages Government-leased property valued at over $670M.

Castlerock manages the Fund and is engaged to develop and manage each asset within the portfolio. The Manager provides the Fund with development proposals and lease agreements with Commonwealth and State Governments. If the RE believes a development proposal and lease agreement is favourable to the Fund, the RE will engage Castlerock under a Development Management Agreement as well as a Property Manager Agreement. Fees paid to the Manager will depend on the complexity and size of proposed developments and will be based on commercial market rates and on arm's length term.

The RE, Castlerock Investment Management was established in 2008 and has an Australian Financial Services License (AFSL 318368) to act as a RE for managed investment schemes. As the RE, Castlerock Investment Management is responsible for the application and redemption of units, valuation, administration and payment of income distributions from the Fund.

Core Property has reviewed the management and the Board of the Responsible Entity and believes that it has the relevant skills and experience to operate the Fund successfully.

Figure 12: Board of the Responsible Entity

Name & Role	Experience
Carl Rooke Independent Chairman	Carl is a former National Chairman of Horwath Australia and currently acts as a consultant to BDO Chartered Accountants. Carl commenced his career in Chartered Accounting in 1970 and established his own firm in 1974. Carl is a Director on a number of large private company boards and is a Fellow of the Institute of Chartered Accountants and the Institute of Company Directors. Carl has a history of successful business practice with over 30 years experience in management, accounting and finance.
Hank Bronts Executive Director and CEO	Hank has been successfully providing property development and asset management services in the government sector space since 1990. During his career, Hank has delivered and managed more than 30 buildings, advising on equity and debt finance, project feasibility, site selection, planning, design, construction and asset management.
Pearse Morgan Non-Executive Director	Pearse has gained extensive experience in funds management, property development and investment, having been involved in raising funds for commercial office developments and investments, and ongoing finance and accounting roles since 1990. Pearse is a Fellow of the Institute of Chartered Accountants, and a member of the Institute of Company Directors.
Peter Ryan Non-Executive Director	Peter was a long-serving Member for Gippsland South, representing the electorate for 22 years. During this time Peter served as Leader of the Victorian Nationals for 15 years, and from 2010 to 2014 was the Deputy Premier of Victoria. Peter has a deep knowledge of corporate and political governance based on 20 years in legal practice prior to a career in politics and is a highly skilled negotiator and trained and qualified mediator.
Jason Bronts Executive Director	Jason brings experience in funds management, property development and property finance having worked for Macquarie Bank in Sydney, KordaMentha in Melbourne, Legal & General Investment Management in London and more recently with Castlerock. Jason holds Bachelor's degrees in Commerce and Engineering.
Vince Peluso Non-Executive Director	Vince has 46 years' experience in the financial services sector and is a retired director of RGM Financial Group where he specialised in financial planning and compliance since 2001. Prior to RGM Vince was employed by Westpac for 28 years in management positions within corporate and commercial finance.

Source: Castlerock

Advisory Board

Castlerock has in place an Advisory Board to support he strategy and management of the business. The Advisory Board consists of key management and external advisors:

- Rob Schieber – Non-Executive Chairman - Advisory Board
- Matthew Chun – Non-Executive Advisory Board Member
- Hank Bronts – Managing Director and Founder
- Adam Bronts – Director - Business Development
- Jason Bronts – Director
- Aaron Ballenger – Director – Projects

Compliance and Governance

The Fund has a compliance committee that includes two external independent compliance members, which advise the Board on all compliance matters.

ASIC Regulatory Guide 46 "Unlisted property schemes: Improving disclosure for retail investors" and Regulatory Guide 198 "Unlisted disclosing entities: continuous disclosure obligations" describe ASIC's preferred benchmarks and principles. Core Property has reviewed the PDS in reference to the six benchmarks and eight disclosure principles recommended by RG46.

The PDS advises that the Fund adheres to all but one of the disclosure benchmarks and principles.

- Distribution practices (Benchmark 6 and Disclosure Principle 6) - Benchmark is not satisfied. Distributions are normally paid from operations. However, some distributions may comprise a component of capital and be paid from reserves. This is because when funds are raised from Investors to finance development activities, a certain amount of funds are put aside to pay distributions while the asset is under development.

The Fund meets all the other remaining Benchmark and Disclosure Principles as recommended by RG46.

Related Party Transactions

The Fund Manager maintains a Conflicts of Interest Policy and Related Party Transactions policy which requires the Board to identify, report on and manage all conflicts of interests and related party transactions undertaken.

Investors should be aware that the structure of the Fund provides for related parties to earn fees as part of the normal operations of the Fund. The Manager estimates related party fees to typically consist of:

- Accounting – Castlerock provides accounting services to the Fund and receives fees in consideration for these services.
- Development Management Fees – estimated to be between 6% - 12% of construction costs. These fees are included within the total costs for a development.
- Other Development Fees – including a Success Fee (3% -4% of development cost), Planning Fee (1.0% - 1.5% of development cost) and Design Fee (9%- 12% of construction cost). These fees are included within the total costs for a development.
- Property Management Fees – of between 2% - 3% of the rental income from property.

Past Performance

Castlerock has provided a summary of returns on its syndicates, which is summarised in the table below.

Investors should note that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

Figure 13: Performance of Castlerock property trusts

Fund	From	To	Total Return (IRR)
Castlerock Services Australia Fund (Auslink Property Trust No. 1)	1 Jan 2008	31 Dec 2023	13.5%
Castlerock Government Property Fund (Auslink Property Trust No. 2)	1 Jan 2015	31 Dec 2023	10.3%

Source: Castlerock

Appendix – Properties in the portfolio

117 Brisbane Street, Ipswich QLD – 27.1% of portfolio

As at March 2024	
Book Value	$136M
Cap Rate	7.25%
NLA (sqm)	17,866 sqm
Occupancy (NLA)	99%
WALE	4.6 years

The property was purpose built for the state of QLD in 2013, who represent 90% of rental income. The 10-storey building comprises 3 levels of basement carparking fit for 208 cars, lower ground floor retail, ground floor retail, café accommodation and 9 levels of commercial A-grade office space, The Property is well located in the Ipswich CBD, with proximity to the Ipswich Railway Station and Riverlink Shopping Centre. The QLD State Government represent 90% of the income from the building on a 15-year lease to September 2028 with 2 x 5-year options.

445 Flinders Street, Townsville QLD – 19.3% of portfolio

As at March 2024	
Book Value	$96.0M
Cap Rate	7.50%
NLA (sqm)	11,619 sqm
Occupancy (NLA)	94%
WALE	4.6 years

Constructed in 2013, the 12-storey office building is a high-quality A-grade office building built to 'importance level-4' standards, so it can be operational following a natural disaster. The building has ground floor retail spread across 2 standard format allotments and 8 upper levels of office accommodation. The State of Queensland anchors the asset underpinning 94% of gross income on a 15-year lease to September 2028 with a 5-year option. The asset of 11,615 sqm of NLA also features 195 car bays which are located on levels 1 to 3.

45 Kembla Street, Wollongong NSW – 10.1% of portfolio

As at March 2024	
Book Value	$50.7M
Cap Rate	6.50%
NLA (sqm)	6,763 sqm
Occupancy (NLA)	98%
WALE	4.6 years

The asset is a 5-storey high quality A-grade commercial office building constructed in 2013, located in the NSW's third largest city, Wollongong. The building holds 93 car parking bays spread across two basement levels and has large floor plates of approximately 1,470 sqm. The buildings office space is fully leased to the Australian Tax Office on a 15-year lease to September 2028 with 2x5-year options, while the remaining retail space is leased to ANZ and the Red Cross Society. A small retail space for 119 sqm is currently vacant (coffee shop).

5 Milldale Way, Mirrabooka, WA – 9.6% of portfolio

As at March 2024	
Book Value	$48.3M
Cap Rate	6.50%
NLA (sqm)	6,514 sqm
Occupancy (NLA)	100%
WALE	9.0 years

The building is a 4-storey office building that was constructed in 2017 by the Trust. It comprises 6,514 sqm of NLA spread over four levels, with 95 underground carparking bays and is 100% leased to the WA Government for a 15 year term to 2033. Located in the suburb of Mirrabooka, 12km north of the Perth CBD the asset sits on the proposed Light Rail Network which is planned to run along Milldale Way.

44 Nelson Street, Mackay QLD – 9.4% of portfolio

As at March 2024	
Book Value	$47.0M
Cap Rate	7.00%
NLA (sqm)	7,056 sqm
Occupancy (NLA)	99%
WALE	1.5 years

The property is a 6-storey office building consisting of 7,056 sqm located in Mackay. Developed in 2013, the asset features large well configured floor plates and excellent natural light with panoramic views over MacKay and the Pacific Ocean. It is also complimented by a separate 3-storey carpark with 166 car spaces. The asset is fully leased to the QLD State Government (apart from a small retail café) on a 12-year lease term with around 12 different government departments located in the building.

65 Church Street, Morwell, VIC – 5.8% of portfolio

As at March 2024	
Book Value	$29.0M
Cap Rate	6.00%
NLA (sqm)	4,053 sqm
Occupancy (NLA)	100%
WALE	11.8 years

The 3-storey office building was developed in October 2020 and is leased to the VIC State Government on a 15-year term to 2035. The building is identified as one of three Government Hubs within VIC. The property holds large well configured floor spaces with 114 grade car parking bays. The asset is located in Morwell which is situated 150km south-east of Melbourne with an approximate population of 14,000 people.

16-24 Charles St, Launceston, TAS – 6.4% of portfolio

As at March 2024	
Book Value	$32.0M
Cap Rate	5.75%
NLA (sqm)	4,822 sqm
Occupancy (NLA)	100%
WALE	10.3 years

The property consists of a 2-storey office building that was redeveloped and acquired by the Fund in 2019. The property is leased to the State Government of Tasmania (98% of NLA) on a 15-year lease to 2034 with 2x5-year options, as well as a café (2% of NLA). The building is located in northern Tasmania, the second largest city within the state.

22 Hamilton Road, South Hedland, WA– 1.5% of portfolio

As at March 2024	
Book Value	$7.7M
Cap Rate	7.00%
NLA (sqm)	1,125 sqm
Occupancy (NLA)	100%
WALE	7.1 years

The asset is a single-storey office building that consists of 1,125 sqm of NLA which is complimented by 35 car spaces. The building was constructed in 2016 and resides 15km south of Port Hedland in South Hedland. The asset is strategically located to take advantage of the Pilbara Cities Initiative with $1.2B committed to transform the Pilbara region into modern, vibrant cities. The Property is 100% leased to the WA state government on a 15-year lease to 2031.

3 Helm Street, Kangaroo Flat, VIC – 1.5% of portfolio

As at March 2024	
Book Value	$7.5M
Cap Rate	6.00%
NLA (sqm)	1,218 sqm
Occupancy (NLA)	100%
WALE	5.3 years

The single-storey office building comprises of 1,220 sqm of NLA complemented by 53 car spaces. It is located in the suburb Kangaroo Flat, approximately 5km south-west of the Bendigo CBD in Victoria. Completed in March 2019, the building is fully leased to the Country Fire Authority (CFA) on a 10-year lease to June 2029 with 5x5-year options.

12 Queen Street, Warragul, VIC – 0.9% of portfolio

As at March 2024	
Book Value	$4.7M
Cap Rate	6.25%
NLA (sqm)	622 sqm
Occupancy (NLA)	100%
WALE	4.4 years

The asset is a single storey office building located on the outer metropolitan edge of Melbourne in Warragul. Constructed in 2018 the building is 100% leased to the VIC State Government on a 10-year lease to July 2028 with 2x5-year options.

2A Barries Road, Melton, VIC – 1.0% of portfolio

As at March 2024	
Book Value	$5.0M
Cap Rate	6.25%
NLA (sqm)	810 sqm
Occupancy (NLA)	100%
WALE	4.8 years

The single-storey building was completed in 2018 and is fully leased by the Victorian State Government for an initial term of 10 years to 2028 with 2x5-year options. Strategically located in Melton, a suburb west of the Melbourne CBD, the area has seen significant population growth over the last 10 years. The property is complemented by 23-grade car spaces.

225 Butler Boulevard, Butler WA – 1.4% of portfolio

As at March 2024	
Book Value	$6.9M
Cap Rate	5.75%
NLA (sqm)	1,133 sqm
Occupancy (NLA)	100%
WALE	14.3 years

The single level purpose-built building was completed in December 2022 by Castlerock for the WA Government. Situated on a 4,912 sqm site, the property includes 1,133 sqm of space, the building is occupied by the Minister for Works (Department of Transport) as a vehicle licensing centre, which replaced a long-established facility within the Joondalup regional centre. The property is situated 37km north-west of the Perth CBD in the developing residential suburb of Butler, WA.

383 Nepean Highway, Frankston VIC – 6.2% of portfolio

As at March 2024	
Book Value	$31.0M
Cap Rate	NA
NLA (sqm)	7,650 sqm
Occupancy (NLA)	NA
WALE	NA

The property is a development site being undertaken by Castlerock for construction of a new office building for the Victorian Government. The state of the art 5-level office building will be located on the former motel site at 383 Nepean Road, in the Frankston CBD providing 7,650 sqm of office space. Upon completion, expected by March 2025, the purpose built building will be occupied by the Department of Justice and Department of Housing on a 10-year lease. The property is currently valued at $31M, with approximately $25M of further development to be undertaken by completion.

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Funds in this category are considered high risk.

This report has been commissioned, and, as such, Core Property has received a fee for its publication. Under no circumstances has Core Property been influenced, either directly or indirectly, in making statements and / or recommendations contained in this report.

Ratings History

The following is a summary of the ratings provided by Core Property since the establishment of the Fund.

Date	Core Property rating
February 2014	The Fund is established
July 2019	The Fund is rated as "Recommended"
March 2020	The Fund is rated as "Recommended"
July 2021	The Fund is rated as "Recommended"
April 2024	The Fund is rated as "Recommended"

Disclaimer & Disclosure

Core Property has received a fee from the Manager for researching the product(s) which has then been subject to a detailed review and assessment by Core Property and its analysts to produce this report. In compiling this report, Core Property's views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers for review.

The company specified in the Report (the "Participant") has provided Core Property with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Core Property believes are reliable, no responsibility or liability is accepted by Core Property for any errors, omissions or misstatements however caused.

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