Core Property
Fund Research & Ratings
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Unlisted Property Trust Report

Centuria Government Income Property Fund No.2

October 2021

Metropolitan office fund with long term government tenancy targeting 5.25%+ p.a. distributions

Centuria Government Income Property Fund No.2

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

Centuria Government Income Property Fund No.2

October 2021

The Centuria Government Income Property Fund No.2 ("the Fund") is an unlisted property fund that provides an opportunity to invest in an office property fully leased to state government tenants. The Fund's Responsible Entity, Centuria Property Funds No.2 Limited ("the RE" or "the Manager") is seeking to raise $34.7M through the offer of 34.7M units at $1.00 per unit ("the Offer"). Funds raised will be used in conjunction with debt to acquire the office asset at 25 Nile Street, Port Adelaide SA ("the Property").

The Property is a modern A-grade office which was purpose built in 2018 for the SA government, who fully lease the entire building. Located in Port Adelaide approximately 14km north-west of the Adelaide CBD, the Property is the only modern office asset in the surrounding area, which is currently undergoing significant urban regeneration. The Property provides 6,393 sqm of net lettable area (NLA) spread across six levels, with four commercial office floors, two levels of car parking, ground floor retail and end of trip facilities. The Property has a 6.0-star NABERs energy rating and 6-star Green Star rating, which provides an attractive feature for the government tenancy.

The property metrics offer a relatively high level of income stability, with: (1) 100% occupancy and a Weighted Average Lease Expiry (WALE) of 11.1 years (by income); (2) secure government tenancies with only 3.7% of income falling due in FY23, during the initial term of the Fund, and the remaining 96.3% falling due in 12-years (2033), (3) contracted average rent increases of 3.0% p.a., and (4) minimal capital expenditure required over the next five years.

The Property is expected to benefit from the increase of economic activity in the Port Adelaide market, driven by the government rejuvenation project. The 40-hectare project is expected to create a premier waterfront precinct that incorporates commercial, residential, and retail amenity. The Manager believes this extensive upgrade, as well as other significant investments in Greater Adelaide will benefit the Property in the long run.

The Fund will have a five-year debt facility, with an initial Loan to Valuation Ratio (LVR) of 49%, provides a sufficient buffer to the LVR covenant of 60.0%. The initial Interest Coverage Ratio (ICR) of 3.7x is above the ICR covenant of 2.0x.

The Fund has an attractive initial NTA of $0.93 per unit, as a result of stamp duty concessions on commercial property in South Australia. Fees charged by the Fund are at the low-end of what Core Property has seen in the market.

The Manager is forecasting initial distributions of 5.25% p.a. in FY22 and 5.35% p.a. in FY23. Distributions are expected to average 5.34% p.a. over the five years, with the five years forecasted to be 100% tax deferrable.

Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of between 5.9% - 9.4% p.a. (midpoint 7.6% p.a.) based on the Manager's assumptions and assuming a +/- 25 bps movement in capitalisation rates. The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions.

Target Market Summary – Manager's assessment

This product is likely to be appropriate for a investor seeking Capital Growth and Income Distribution to be used as a Satellite / small allocation <25% allocation, or as a higher allocation (not exceeding 33%) where broader diversification of the investors' portfolio is expected to be built / rebalanced over time, where the consumer has a Long investment timeframe, Medium risk/return profile and does not need access to capital for 5-7 years.

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:	25 Oct 2021
Offer Close:	19 Nov 2021[1]
Min. Investment:	$50,000[2]
Unit Entry Price:	$1.00 per unit
Net Tangible Asset per unit:	$0.93 per unit
Liquidity:	Illiquid
Forecast Distributions:	5.25 cpu (FY22 annualised) 5.35 cpu (FY23)[3]
Distribution Frequency:	Monthly
Initial Investment Period:	5 years to Nov 2026

1. The Manager may close the Offer at any time when sufficient commitments have been received.
2. The Manager may accept lower amounts at its discretion.
3. Based on the Manager's forecasts.

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Fund – Website

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This report is based on the Government Income Fund No.2 Product Disclosure Statement dated 25 October 2021, together with other information provided by Centuria Property Funds.

Key Considerations

Management: Well-regarded fund manager with a solid track record of managing property funds, corporate governance, maintaining and improving occupancy rates. Since 1999 Centuria has completed 44 funds delivering a weighted average total return of 16.8% p.a. and an average total return of 15.3% p.a.

Fund Structure: The Fund is a registered managed investment scheme and will own a 100% interest in the sub-trust which owns the Property.

Fund Strategy: The Fund offers a Core investment strategy to invest in a long WALE, government occupied office building, positioned to benefit from the surrounding government revitalisation project.

The Property: The Fund will invest in the office property at 25 Nile Street, Port Adelaide, SA. The building was purpose built in 2018 and has high ESG qualities, with 6.0-star NABERs energy rating and 6.0-star Green Star rating. The six-level building includes four levels of commercial office space, ground floor retail and two levels of secure car parking. The Property is 100% occupied by two government tenants, both subject to 3.0% fixed annual rent reviews with minimal income expiring in the initial fund term (3.7% FY23).

Location: Port Adelaide is the gateway to the Osborne naval shipyard where multi-billion-dollar Australian defence projects are being undertaken. The historical industrial precinct is the last undeveloped port waterfront in Australia and is currently undergoing major rejuvenation to transform the area into a premier waterfront precinct. The $28.6M by the SA government project spans 40 hectares across 10 individual areas and will provide increased commercial, retail, tourism education and residential amenities.

Debt Profile: The Fund will have a five-year debt facility of $31.3M, drawing down $30.8M to facilitate the acquisition while the balance will be progressively used to fund the minimal forecasted capex. The all-in cost is estimated at 2.28% over five years, with the Manager intending for debt to average 75% hedged for the first three-years and 50% hedged in years four to five. The initial Loan to Valuation Ratio (LVR) is 49%, against an LVR covenant of 60.0%. The initial Interest Coverage ratio (ICR) of 3.7x is above the ICR covenant of 2.0x. The Fund will also undertake a short-term bridging loan with Centuria Capital (ASX: CNI) for $4.1M to fund the deposit and provide security for the forward interest rate swap.

Initial NTA: The Fund's initial NTA is $0.93 per unit. With most of the dilution coming from due diligence and land transfer costs. Core Property notes the initial NTA is favourable to investors due to the exemption South Australia has for stamp duty on commercial property.

Distributions: The Manager is forecasting FY22 distributions of 5.25% p.a. (annualised), increasing to 5.35% p.a. in FY23, averaging 5.34% p.a. over the five years. The Manager estimates distributions to be 100% tax effective throughout the term of the Fund.

Fees: Fees are at the low end of what Core Property has seen in the market (*see Figure 5: Fees in Perspective*)

Total Returns: Core Property estimates the Fund to deliver a five-year IRR of 5.9% - 9.4% p.a. (midpoint 7.6% p.a.) based on a +/- 25 bps sensitivity to capitalisation rates (see the *Financial Analysis section*). Investors should be aware the Fund is exposed to a capital gain or loss based on the sale price of the asset and the overall market conditions, which may deliver an IRR outside this range.

Illiquid investment: The Fund should be considered illiquid and investors should expect to remain invested for the initial 5 years. The Manager may extend the Fund for a further two years subject to an Ordinary Resolution (50% of votes in favour). At the end of the extended period the Manager may further extend the Fund, if it receives the approval of 100% of votes, or where there is less than 100% of votes then investors who votes against the extension are provided the opportunity to exit at the prevailing Withdrawal Price.

Investment Scorecard

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

Key Metrics

Trust Structure	
An unlisted property fund investing in an A-Grade, government anchored office building in Port Adelaide, South Australia.	

Management
Centuria Property Funds No.2 Limited is a 100% owned subsidiary of ASX listed Centuria Capital (ASX: CNI), a highly regarded and experienced real estate manager. Centuria has a successful track record of delivering strong investor returns for over 22 years, with $16.5B of real estate assets managed across its listed and unlisted portfolio.

Property Portfolio	
No. of Properties:	1
Valuation:	$62.8M
Property Location:	25 Nile Street, Port Adelaide SA
Property Sector:	Office
Key Tenants:	SA Transport and Infrastructure (96.3% of net income) Urban Renewal Authority (3.7% of net income)
Occupancy:	100%
WALE:	11.1 years (by income)

Return Profile	
Forecast Distribution:	FY22: 5.25% p.a. (annualised) FY23: 5.35% p.a.
Distribution Frequency:	Monthly
Tax advantage:	100% tax deferred (over 5 years) forecast
Estimated Levered IRR (pre-tax, net of fees):	5.9% - 9.4% p.a. (midpoint 7.6% p.a.)
Investment Period:	5 years (Initial Fund Term)

Risk Profile	
Property/Market Risk:	Capital at risk will depend on an office building in Port Adelaide, SA. Investors will be exposed to a potential capital gain or loss, based on market conditions.
Interest Rate Movements:	The Manager will hedge a portion of interest rates during the term of the Funds. Interest costs higher than forecasts in years 4 & 5 may impact the distributable income and total returns for investors.
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 the "Investment Considerations and Risks" section of the Product Disclosure Statement.

Fees Paid	
Entry Fees:	Nil
Exit Fees:	Nil
Establishment & Placement Fee (Property Acquisition Fee):	2.0% of purchase price.
Divestment Fee (Property Disposal Fee):	1.0% of sale price.
Management Fees:	- Management Fee: 0.80% p.a. of GAV. - Custodian Fee: The minimum of 0.015% p.a. of GAV or $15,000 p.a. - Property Expenses: 0.17% p.a. (est.) of GAV
Performance Fee:	20% of the outperformance over an IRR of 8.0%.

Debt Metrics – Indicative Terms	
Initial Debt / Facility Limit:	$30.8M / $31.3M
Loan Period:	5 years[1]
Initial LVR / Peak LVR / LVR Covenant:	49.0% / 49.0% / 60.0%
Initial ICR / Lowest ICR/ ICR Covenant:	3.7x / 3.7x /2.0x

Note 1: 5-year loan term with a 3-year fixed interest rate swap.

Legal	
Offer Document:	Centuria Government Income Property Fund No.2 Product Disclosure Statement, dated 25 October 2021
Wrapper:	Unlisted Property Trust
Trustee:	Centuria Investment Management (Property) No.4 Pty Limited
Custodian:	Centuria Property Funds No.2 Pty Limited
Responsible Entity & Manager:	Centuria Property Funds No.2 Limited (ABN 38 133 363 185, AFSL No. 340304)

Fund Overview

The Fund is a closed-ended, single asset, unlisted property Fund aiming to provide investors with secure cash distributions through the acquisition of a government anchored, long WALE office property located at 25 Nile Street, Port Adelaide SA ("the Property").

Centuria Property Funds No.2 Limited ("the Manager ") is seeking to raise $34.7M in equity through the issue of 34.7M units at $1.00 per unit ("the Offer"). Units will be available to retail and wholesale investors, with a minimum investment of $50,000, with multiples of $1,000 thereafter.

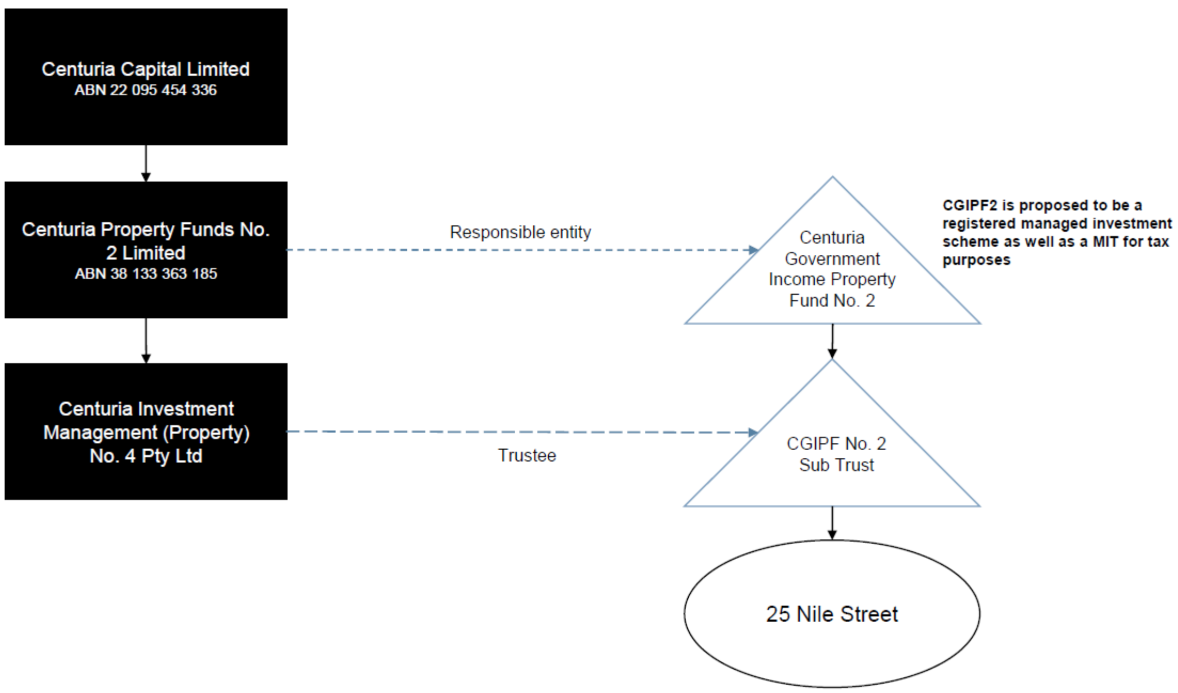
The funds raised will be used to acquire 100% of the units in the CPIF No.2 Sub Trust ("the Sub Trust"). The Sub trust will use the funds, in conjunction with debt, to acquire the Property for $62.8M.

The Property is a six-level purpose-built A-Grade office building leased to the South Australian government, located in Port Adelaide, SA. Constructed in 2018, the modern building holds large floor plates with high levels of natural light and has received a 6-star NABERs Energy rating and 6-star Green Star rating. The Property comprises 6,393 sqm of net lettable area, spread across six levels of commercial office space and a ground floor café with end of trip facilities. With a Weighted Average Lease Expiry of 11.1 years (by income), only 3.7% of gross income is forecasted to expire during the term of the Fund (FY23), while the remaining 96.3% of income sourced from the Department for Infrastructure and Transport is set to expire in (FY33), providing the Fund with minimal income expiry risk.

The Fund intends to provide investors with secure monthly and tax effective distributions off the back of the recently completed state government occupied building, with upside potential derived from the precincts reweighting following extensive private and government infrastructure investments.

The Fund has an initial term of five years with the ability to extend by a further two-years subject to Ordinary Resolution, (50% votes in favour) and a further two-years where a unanimous Resolution (100% of votes cast in favour). The Manager is targeting 100% tax deferred distributions for the five year initial term of the Fund. Initial distributions are forecast to be 5.25% p.a. in FY21 (annualised), increasing to 5.35% in FY22, with average distributions of 5.34% p.a. across the initial five-year term.

Figure 1: Fund structure



Source: Centuria

Fund strategy

The Fund's goal is to provide unitholders, with regular, consistent, and considerably tax deferred income with potential capital growth. The Manager believes the Property meets the Fund's objective through the high-quality leases to the South Australian government tenants, that are subject to fixed annual rental increases and only a small proportion of income expiring during the investment term.

The Manager also considers the $28.6M Port Adelaide rejuvenation project and other significant government investments in Greater Adelaide to provide a material uplift to the office market surrounding the Property. Key sectors such as defence, resources, health, education, and innovation are emerging as economic drivers of South Australia, benefitting from the states investment into infrastructure and federal government contracts. These sectors are expected to continue to contribute to new jobs and improve the desirability to live in Adelaide, which has been ranked the third most liveable city by the Economist Intelligence Unit's Global Liveability Index for 2021.

Ultimately, these investments affirm the view by the Manager that over the coming years, Port Adelaide will become a key metropolitan suburb with waterfront residential accommodation and substantial retail amenities.

Liquidity / exit strategy

Investors should view the Fund as illiquid in nature and expect to remain invested for the initial five-year term of the Fund. The Manager may also extend the Fund for two years subject to an Ordinary Resolution (50% of votes in favour).

The Fund may be extended beyond seven years for up to two years at a time, where a Unanimous Resolution (100% of votes cast in favour) is needed, or, where there is not a Unanimous Resolution, those who voted against the extension are provided the opportunity to exit the Fund at the prevailing Withdrawal Price (being the net asset value of the Fund based on an independent valuation and taking into account estimated transaction costs).

Sources & Application of funds

The following table sets out the sources and application of funds under the terms of the Offer.

Figure 2: Sources and Application of Funds

	$M	% of purchase price	% of total funds
Sources of funds			
Equity subscriptions	$34.7M	55.3%	53.0%
Bank debt	$30.8M	49.0%	47.0%
Total sources of funds	**$65.5M**	**104.3%**	**100.0%**
Application of funds			
Purchase price	$62.8M	100.0%	95.8%
Acquisition costs	$0.5M	0.9%	0.8%
Debt and Fund establishment fee	$0.8M	1.2%	1.2%
Manager's fee	$1.3M	2.0%	1.9%
Working capital	$0.1M	0.2%	0.2%
Total application of funds	**$65.5M**	**104.3%**	**100.0%**

Source: Centuria, Core Property

Debt Facility & Metrics

The Fund has indicative terms for a five-year debt facility of $31.3M with an initial draw down of $30.8M, leaving the remaining $0.5M for future capital expenditure. The average all-in interest cost is estimated at 2.28% over five years, with the Manager intending for 75% of the debt to be hedged in the first three years and 50% hedged in years four and five.

The initial Loan to Valuation Ratio (LVR) is expected to be 49%, against an LVR covenant of 60.0%. Core Property calculates that the value of the Property must fall by 18.3% for the LVR covenant to be breached. The initial Interest Coverage ratio (ICR) is 3.7x against an ICR covenant of 2.0x. Core Property calculates the net operating income must fall by 45.8% for this covenant to be breached.

The Fund will also undertake a short-term loan with Centuria Capital (ASX: CNI) for $4.1M at a rate of 10% p.a. for approximately two months, to fund the deposit for the purchase of the Property and to provide security for the forward interest rate swap. The total interest on the loan is estimated at $0.1M and has been included in the costs of the transaction.

Figure 3: Indicative Debt Metrics

Details	Metric
Bank	Westpac
Security	First ranking mortgage over the Property and a general security deed over the assets in the Fund. The financier will also hold a first ranking general security deed over the assets of the Holding Trusts.
Debt Facility drawn / Limit	$30.8M / $31.3M
Loan Period	5 Years from settlement
% Hedged / Fixed	75% Hedged for 3 years, 50% for two years
Estimated Average total cost of debt	2.28% p.a.
Initial LVR / Peak LVR / LVR Covenant	49.0% / 49.0% / 60.0%
Initial interest covered ratio / Lowest ICR /ICR covenant	3.7x / 3.7x / 2.0x
Amount by which valuation will have to fall to breach LVR covenant	18.3%
Decrease in rent income to breach ICR covenant	45.8%

Source: Core Property, Centuria. Note 1: Based on Manager's assumptions. Assumes three-year fixed swap rate based on 0.62% for 75% of the initial drawn debt and 1.30% from assumed settlement date. Years four and five, a two-year swap rate for 50% of drawn debt at 1.62% with a margin of 1.30%.

Fees Charged by the Fund

Overall, Core Property considers the fees charged to be at the low-end of what has been seen in the market (see All-in fee analysis below). Core Property notes that the Performance Fee on the Fund is calculated at 20% of the Fund's performance above an IRR of 8.0% p.a., which is considered to be reflective of the current market environment for this type of Fund.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee:	Nil	
Exit Fee:	Nil	
Acquisition Fee:	2.0% of purchase price.	Core Property considers the Fee to be at the high end of the industry average of 1.0% - 2.0%.
Disposal Fee:	1.0% of sale price.	The Disposal Fee covers any external agency selling costs and is at the low end of the industry average of 1.0% - 2.0%.
Fees & Expenses – Management Fee, Custody Fees, Expenses:	- Management Fee of 0.80% p.a. of GAV. - Custodian Fee: The greater of 0.015% p.a. of GAV or $15,000 p.a. (with annual CPI increases) - 0.17% p.a. (est.) of Gross Assets for Expenses.	Core Property considers the Management Fee to be at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV). Other Fees appear appropriate.
Performance Fee:	20% of the Fund's outperformance over an IRR of 8.0%.	Core Property considers the IRR threshold of 8% to be appropriate for Fund.

Source: Centuria, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the RE over the term of the Fund as a percentage of all cash flow generated after deducting interest costs but before management fees and performance fees. The calculations assume that any debt arrangement fee and disposal fee is paid to third parties and not retained by the Manager.

Core Property estimates the Manager is entitled to 7.1% of the total cash flow. Core Property considers the fees paid to the Manager to be low when compared to similar products, which are typically around 7% - 9%. In terms of fees paid to the Manager, Core Property estimates that 35.2% of the estimate fee is paid upfront and the remainder relates to ongoing management fees. Core Property stresses that these estimates of how much investors will receive are not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective – based on five-year term

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.35
Total cash to investors:	**$1.35**
Acquisition fee:	$0.04
Base management fee:	$0.07
Disposal fee:	$0.00
Debt Arrangement fee:	$0.00
Fees for the RE (excluding disposal/admin):	**$0.11**
Total cash generated by Fund:	**$1.46**
Fees = % of total cash generated (before fees)	7.1%
Up-front fee vs total fees	35.2%

Source: Core Property

The Property

25 Nile Street is an A-grade six storey office building located in Port Adelaide, SA. The Property was purpose built in 2018 for the tenant, the SA Department of Transport and Infrastructure, and provides 6,393 sqm of net lettable area (NLA) with of 6,308 sqm office accommodation and 85 sqm of ground floor retail, as well as 150 car parking bays across two secure levels. The Property is constructed to a high standard with average floor plates of 1,888 sqm, a central core with three lifts (one dual purpose as a goods and passenger lift) and end of trip facilities. The Property provides high levels of natural light and panoramic views of Port Adelaide and has achieved both a 6-star NABERs Energy rating and 6-star Green Star rating. The Property is 100% occupied by state government tenants with 3.0% annual fixed rent reviews and holds a Weighted Average lease Expiry (WALE) of 11.1 years (by income)

Located close to the Port Adelaide harbour, the Property is approximately 750 metres south east from the recently upgraded Port Adelaide Train Station and close to local bus services. Port Adelaide is the last undeveloped port waterfront in Australia and is currently undergoing a significant urban regeneration with state and local government committing $28.6M to develop a premier waterfront. The project is expected to be completed by 2027 and is expected to accommodate up to 8,000 additional residents and generate over $1.0B - $2.0B of private investment over the next 20 years. The port's economy is also being driven by significant government investment into shipbuilding in the region, with $45B worth of Australian defence projects already committed, as well as the recently announced AUKUS nuclear submarine deal likely to be developed in the Osborne naval shipyard precinct.

Figure 6: 25 Nile Street, Port Adelaide South Australia

Source: Centuria

Property Valuation

The Manager has a valuation policy to have the Property valued by an independent valuer at least once every 24 months. However, typically, Centuria has independent valuations conducted annually for properties in its funds.

The Property has been assessed with an independent valuation by Savills valuing the Property at $62.8M, in line with the acquisition price.

Figure 7: Valuation Metrics

25 Nile Street, Port Adelaide, SA	
Title	100% Freehold
Acquisition date:	1 December 2021 (expected settlement)
Ownership	100%
Site Area	3,238 sqm
Net Lettable Area	6,393 sqm
Major Tenant	Minister for Transport – (94% of NLA) Urban Renewal Authority – (6% of NLA)
Weighted Average Lease Expiry	11.1 years (by income)
Occupancy	100.0% (by income)
Initial net passing income	$3.0M p.a.
Net Market income (fully leased)	$3.0M p.a.
Purchase price	$62.8M
Valuation	$62.8M
Passing initial yield	4.78%
Capitalisation rate	4.75%
Valuer	Savills
Valuer's Discount rate	5.50%
Value/sqm	$9,815 per sqm
Valuer's unleveraged 10-year IRR	5.42%

Source: Savills

Leases, tenants and income

The Property provides a strong tenant covenant with 100% of income derived from the South Australia government.

- **The Department for Transport and Infrastructure (Shared Services SA)** (96.3% of income) is a South Australian government body that provides planning policy, efficient transport, and social and economic infrastructure. The Shared Services SA division delivers corporate and business services for SA government departments. These include finance, procurement, accounts payable and accounts receivable and financial services. The Property was purpose built for the tenant, who holds an initial lease of 15 years expiring in May 2033, with 2 x 5-year option renewal periods. The tenant is subject to fixed annual increases of 2.95% p.a. till May 2022, followed by 3.0% p.a. increments thereafter. The lease is subject to a market rent review in May 2028, ratcheted and capped at 5% p.a.
- **The Urban Renewal Authority (Renewal SA)** (3.7% of income) is a South Australian government body guided by the 30-year plan for Greater Adelaide to facilitate unique development opportunities for the private sector through access to government land holdings. The Renewal SA has two leases in place which represent 3.7% of the Property income: (1) 85 sqm of ground floor retail which is subleased to a café operator (~0.4% of gross income), and (2) 299 sqm ground floor office space (~3.3% of gross income). The leases are each on five-year lease terms expiring in June 2023, with no option periods thereafter. The lease is subject to annual fixed rental increases of 3% p.a. including at renewal if exercised, with a market review in 2028.

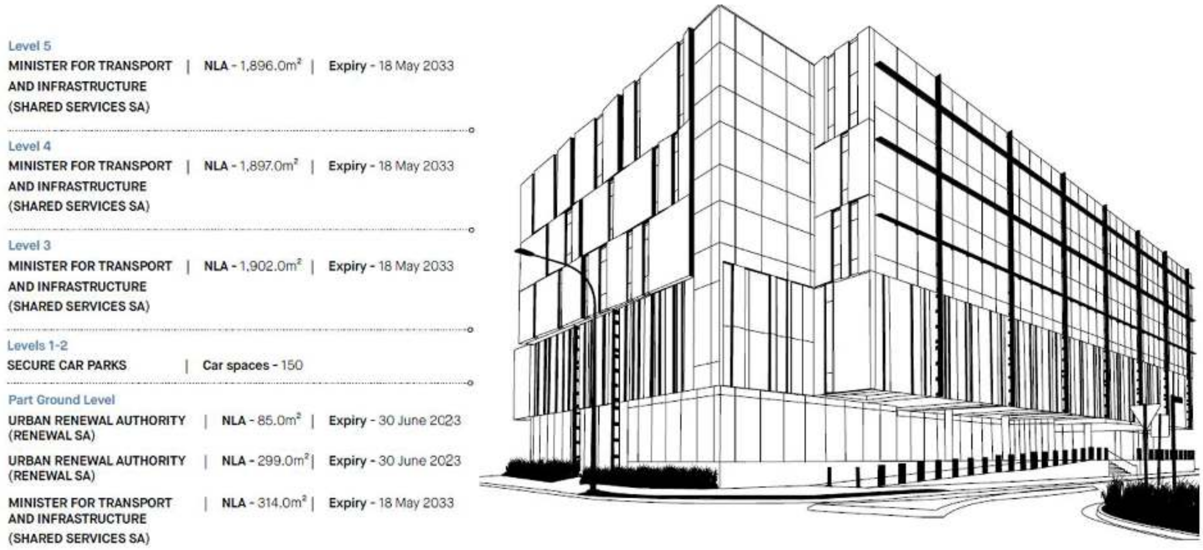
Figure 8: Tenant Metrics

Tenant	Lease Commence	Lease Expiry	Options	Passing Base Rent per sqm	Rent Review	Area (sqm)	% of NLA	% of Gross Income
Minister of Transport and Infrastructure (Shared Services SA)	May 2018	May 2033	2 x 5 yrs	$468	3.0%[1]	6,009	94.0%	96.3%
Urban Renewal Authority (Renewal SA)	Jun 2018	Jun 2023	Nil	$310	3.0%	384	6.0%	3.7%
Total / Average				**$459**	**3.0%**	**6,393**	**100%**	**100%**

Source: Centuria, Savills. Note 1: 2.95% p.a. review in May 2022, increasing to 3.0% p.a. thereafter

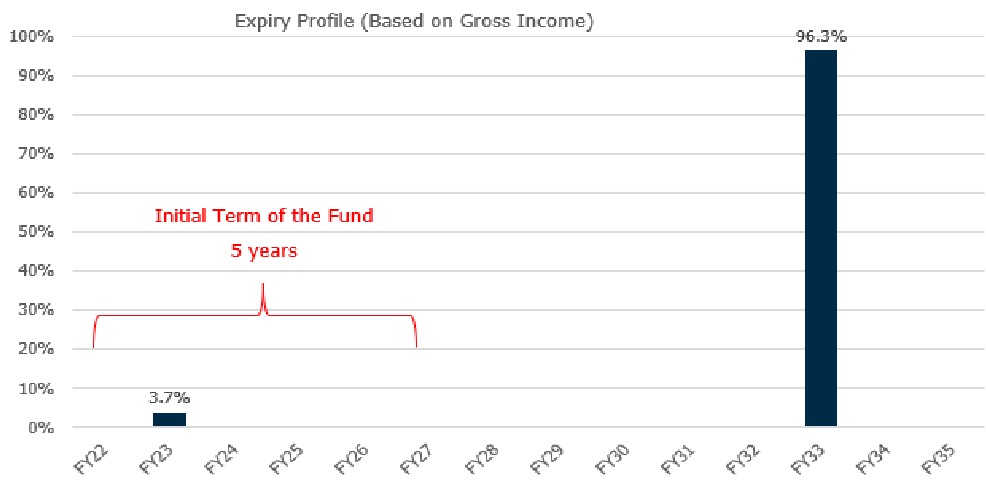
The Property has 3.7% of rental income leased to the Urban Renewal Authority (renewal SA) falling due in FY23, providing the Fund with minimal expiries during the initial term of the Fund. A small component (85 sqm, or 0.4% of income) is sub-leased to a café operator, which has the potential to undertake a direct lease, in the even that Renewal SA do not extend their lease term.

Figure 9: Tenant Stack Diagram



Source: Centuria

Figure 10: Property lease expiry (by gross income)



Source: Core Property

Market Sales Evidence

The table below shows the comparable sales transactions for similar long WALE office assets that were sold in the last 12 months. The transactions include sales from other states due to the low volumes recorded in SA as well as the quality of the asset and leasing profile. Based on the comparable transactions, the sale price of $9,815 per sqm appears to be in the middle of the range of $6,027 - $12,518 per sqm.

Figure 11: Recent transaction evidence

Property	Sale Date	Sale Price	NLA (sqm)	WALE	Key Tenant	Initial Yield (%)	Price per sqm	Equivalent Yield (%)
South Australia								
620 Mersey Road, Osborne SA	Dec 20	$48.3M	8,006	9.6 yrs	SA Emergency Services Command Ctr	5.07%	$6,027	5.07%
33 Richmond Road, Keswick SA	Nov 20	$80.0M	6,532	12.5 yrs	Australian Navy Infrastructure	4.78%	$12,247	4.77%
Interstate Evidence								
1 McNab Ave, Footscray VIC	Sept 21	$223.7M	20,191	11.8 yrs	State Trustees (Vic), City West Water	4.63%	$11.079	4.63%
34 Southgate Avenue, Cannon Hill, QLD	Aug 21	$36.0M	3,520	10.0 yrs	Michael Hill	5.00%	$10,227	5.00%
221-227 Anzac Parade, Kennington, NSW	May 21	$80.2M	10,686	10.8 yrs	UNSW	4.53%	$7,501	5.22%
17 O'Riordan Street, Alexandria, NSW	May 21	$159.0M	12,702	9.7 yrs	Red Cross	4.51%	$12,518	4.52%
399 Royal Parade, Parkville, VIC	Mar 21	$138.8M	13,000	12.3 yrs	Monash University	4.60%	$10,673	4.54%
25 Nile Street, Port Adelaide SA	**Dec 21 (expected)**	**$62.8M**	**6,393**	**11.1 yrs**	**SA Govt**	**4.78%**	**$9,815**	**4.74%**

Source: Savills

Market Rental Evidence

The following table is a summary of comparable office lease deals as provided by the Independent Valuer. On average, the tenants of the Property pay a gross rental of $525 per sqm, above the two comparable at Osborne and Eastwood, and below the Keswick building. However, the higher rent at Keswick reflects the development currently being completed to make the building natural disaster proof, and thus the passing gross rents at the Property are considered slightly above market.

Figure 12: Recent rentals – Adelaide metropolitan office market

Property Address	Tenant	Commence Date	Area sqm	Gross Rent per/sqm
620 Mersey Road, Osborne SA	Australian Naval Infrastructure	Jul 20	2,456	$425
212 Greenhill Road, Eastwood SA	Bridgestone	Jan 21	2,500	$490
33 Richmond Road, Keswick SA	SA Government	Post construction	6,532	$579
Range		**Jul 20– Current**	**2,456 – 6,532 sqm**	**$425 - $579**
25 Nile Street, Port Adelaide SA	**Minister of Transport and Infrastructure**	**May 18**	**6,009**	**$525**
	Urban Renewal Authority	**Jun 18**	**384**	**$422**

Source: Savills

Port Adelaide Office Market

The Property is located 14 km northwest of the Adelaide CBD, secluded from similar commercial precincts in greater Adelaide and is one of two similar products in Port Adelaide (620 Mersey Road Osborne). Given the Property's non-CBD-location, it is considered as part of the Adelaide Fringe Office market, one of the smallest nationally with 213,504 sqm of office floor space according to the Property Council's July 2021 report. As at January 2021, vacancy rates were 10.9%, down from 13.1% from the prior corresponding period. Majority of this is attributable to vacant B and C grade space, with A grade only 4.2% of the vacancy. Incentives in the fringe precinct are generally similar to CBD trends, ranging between 20% -30% on new deals. There is currently no supply of similar product in Port Adelaide.

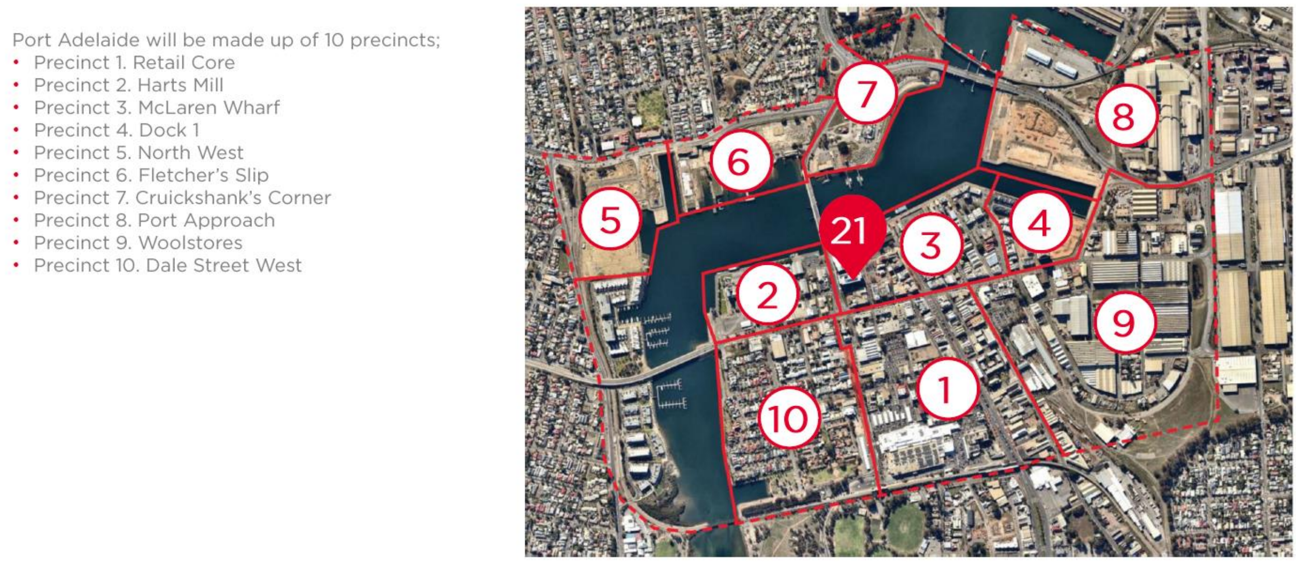
Port Adelaide Rejuvenation project

Port Adelaide is the last undeveloped port waterfront in Australia and is currently undergoing a major rejuvenation project that is expected to transform the area into a vibrant and diverse commercial, retail, education, and residential precinct. The plan which spans 40 hectares and is broken down into 10 individual precincts was developed and released in by Renewal SA in 2014. The project is expected to allow between 2,000 to 4,000 homes to be constructed which will accommodate up to 8,000 new residents. The development is forecasted to be completed in 2027, and likely to generate 1,000 to 1,500 construction jobs and between $1.0B - $2.0B worth of private investment over the next 20 years. Renewal SA, which was established to facilitate urban development through the release of government land holdings, is investing $25.0M into the project, and the Port Adelaide Enfield Council is also contributing $3.6M.

A summary of four key precincts is provided below.

- **Precinct 1 (Retail Core)** – The Retail Core precinct is set to incorporate a mix of commercial and retail tenants along with above street level residential apartments. Included in the precincts upgrade is the recently completed Port Adelaide Train Station, and a $50M upgrade to the Port Adelaide Plaza, approximately 1km from the Property.
- **Precinct 2 (Hart's Mill)** – The Hart's Mill precinct is a waterfront local market space that neighbours the iconic Hart's Mill heritage building, with public lawns and 3.5km walking and cycling path tracking the inner harbour.
- **Precinct 3 (McLaren Wharf)** – The McLaren Wharf precinct is a key component of Port Adelaide and is set to become the retail and tourism centre of the city. In 2020, approvals for a 180 room Rydges Hotel was given Development Approval.
- **Precinct 4 (Dock 1)** – The Dock 1 precinct is a master planned community development incorporating 750 townhouses and apartments with a promenade, bars, and restaurants. Stage 1 of the development is currently sold out and under construction.

Figure 13: Port Adelaide rejuvenation project



Source: Renewal SA

Investment in South Australia

The South Australia's governments investment in infrastructure and securing federal government defence contracts has resulted in the education, defence, healthcare, and resources sectors becoming key players to the SA and Australian economy. A summary of the factors expected to benefit the South Australian economy from the government investments include.

Defence: The Osborne naval shipyard will be key driver in the economic growth of South Australia. The recently announced AUKUS alliance to develop nuclear powered submarines is most likely to be constructed here, as well as Australia's new ~45.0B hunter class frigates, which is forecasted to create 2,500 new jobs in Adelaide.

Bio-Med: The $3.6B medical precinct in Adelaide's North Terrace is the largest health cluster in the southern hemisphere. The cluster comprises the new $2.4B Royal Adelaide Hospital, the South Australian Health and Medical Research Institute (SAHMRI 1), the University of Adelaide's new health and Medical Sciences building and The University of South Australia's health innovation building. The precinct will also include the SAHMRI 2 which is under construction, as well as the new Women's and Children's Hospital expected to be completed in 2025/2026.

Education/ Innovation: Adelaide has become an attractive choice of study for international students, with the state governments initiative 'Study Adelaide' attracting over 35,000 students to Adelaide. Of the 102,000 tertiary students in South Australia, 70,000 were studying in the CBD's universities. The Lot 14 innovation and Entrepreneur Precinct in North Terrace is home to the Australian Space Agency and is expected to house 6,000 workers once complete.

Resources: South Australia is a key resource provider of Australia. The Olympic Dam copper, uranium, gold, and silver deposit is one of the world's largest known accumulation of metals. The state is home to two of the top six ASX listed energy companies and holds approximately 68% of Australia's economic copper.

The quality of life and limited impact of Covid-19 has increased the interstate migration to Adelaide, which is at its highest level in 30 years according to ABS data. According to the Economist Intelligence Unit's Global Liveability Index for 2021, Adelaide is the world's third most liveable city for 2021 and has the lowest residential property prices in Australia's mainland capital cities.

Capex

The Manager has indicated $0.5M of base capital expenditure over the initial term of the fund. This is above the independent technical report which did forecast any capital expenditure during the initial term of the Fund.

The capex will be funded by debt and is not expected to impact the LVR materially.

Financial Analysis

Core Property has reviewed the financial forecasts by the Manager. The key observations are:

- The Manager is forecasting initial distributions of 5.25% p.a. (annualised) for FY22, increasing to 5.35% p.a. in FY23.
- Forecasts assumes initial debt is 75% hedged at a fixed rate of 1.92% p.a. for the first three years, with 50% hedged at 2.92% p.a. in years four and five.
- Forecast assumes settlement of the Property on 1 December 2021
- Forecast assumes the subleased cafe tenant (0.4% of income) extends their lease
- Assumes contracted rent increases of 2.95% p.a. to May 2022 and 3.00% p.a. thereafter.

A summary of the Manager's forecasts is presented below.

Figure 14: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast $M	**FY22 7 months (1 Dec 2021 - June 30 2022)**	**FY23 12 months**
Holding Trust		
Gross Property Income	2.5	4.4
Property Expenses	-0.5	-0.8
Net Operating Income	**2.1**	**3.6**
Less: Straight-lining of rental income	-0.3	-0.5
Distributable Funds	**1.7**	**3.1**
Net Distributions received by the Fund		
Centuria Government Income Fund		
Distribution Income	**1.7**	**3.1**
Fund Expenses	-0.4	-0.6
Net Operating Income	**1.4**	**2.5**
Net Interest Expense	-0.4	-0.6
Distributable Funds	**1.0**	**1.9**
Payment to / from retained earnings	-0.0	-0.0
Net Distributions Received by Investors	**1.1**	**1.9**
Distribution Yield % (pro - rata)	**5.25% p.a.**	**5.35% p.a.**
Estimated Tax Deferral	**100%**	**100%**
Balance Sheet – $M – Holding Trust		**On settlement (est 1 Dec 2021)**
Property		62.8
Total Assets		**62.8**
Total Liabilities		**-**
Net Assets		**62.8**
Centuria Government Income Fund No.2		
Units in Holding Trust		62.8
Cash		0.1
Total Assets		**62.9**
Net Borrowings (Total Borrowing less Capitalised Borrowing Costs)		30.4
Total Liabilities		**30.4**
Net Assets (Total Assets – Total Liabilities)		**32.5**
Net Assets per Unit		**$0.93**
Debt/ Total assets		**49.0%**

Source: Centuria, Core Property

Initial NTA

The starting NTA is an important consideration. It should be assessed in the context of statutory costs and fees paid to the Manager, which dilute investors' return over the term of the Fund. In this case, the starting NTA is $0.93, with most of the dilution coming from acquisition costs. Core Property notes the favourable starting NTA is attributable to lower stamp duty costs in South Australia.

Figure 15: Initial NTA

Amount per unit	$ per unit
Issue Price	$1.000
Less:	
Stamp Duty/Acquisition Costs	-$0.02
Acquisition Fee	-$0.02
Debt & Fund Establishment costs	-$0.03
NTA per unit	**$0.93**

Source: Core Property

Expected Future Performance (IRR Sensitivity)

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

Core Property has estimated the total return from the Fund based on the assumptions provided by the Manager.

Using these assumptions Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 5.9% - 9.4% p.a. (7.6% p.a. midpoint). The calculation is based on the Manager's forecasts and assumes a +/- 25bps movement in the terminal capitalisation rate. The calculation assumes 75% of debt is hedged at an interest cost of 1.92% p.a. for the first three years, with 50% hedged at 2.84% in years four and five (based on the Manager's assumptions).

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.

Figure 16: Pre-tax, 5-year IRR (after fees) sensitivity analysis – Manager's assumptions

Terminal cap rate	Estimated IRR (Based on cost of debt 1.92% for first three years, 2.84% for next 2 years)
4.25%	11.3%
4.50%	9.4%
4.75% (Base)	**7.6%**
5.00%	5.9%
5.25%	4.2%

Source: Core Property

Management & Corporate Governance

The Manager, Centuria Property Funds No.2 Limited ("CPFL 2") is a wholly owned subsidiary of the ASX listed-Centuria Capital Limited (ASX: CNI). Centuria, was formed in 1998 with the specific focus on the purchasing of high quality, growth oriented commercial property investments. Centuria has $16.5B of real estate assets managed on behalf of retail and wholesale investors across its listed and unlisted portfolio.

Core Property has reviewed the composition of the RE Board and senior executive team and consider it has the relevant skills and experience to operate the Fund successfully. Core Property nots the Board of the RE structure of independent an independent Chairman and non-executive directors provides a high level of corporate governance.

Figure 17: The Board of the Responsible Entity

Name & Role	Experience
Roger Dobson **Independent Chairman** Master of Laws Columbia University, Bachelor of Law Adelaide University	Roger was appointed Chairman of the Board in July 2020 and having previously been an independent Non-Executive Director of Centuria Property Funds No.2 Ltd and the responsible entity of Centuria Industrial REIT. Roger holds extensive knowledge in large, complex restricting, and insolvency matters in a diverse range of industries, with over a decade representing different entities. Roger heads Jones Day's Business Restructuring and Reorganisation Practice in Australia. Roger is a member of the Australian Restructuring Insolvency and Turnaround Association and INSOL International.
Peter Done **Non-Executive Director** Bachelor of Commerce (Accounting) UNSW and Fellow of Chartered Accountants Australia and New Zealand	Peter was appointed to the Board of Centuria Property Funds in 2007 and has 27 years' experience as a partner at KPMG from 1979 until retirement in 2006. During his years at KPMG, Peter was the lead audit partner for many clients, including those involved in property development, primary production and television and film production and distribution. Peter holds a Bachelor of Commerce (Accounting) from the University of New South Wales and is a fellow of Chartered Accountants Australia and New Zealand.
Jennifer Cook **Non-Executive Director** Master's in Business Administration University of Southern Queensland and Graduate of Australian Institute of Company Directors	Jennifer has been an independent Non-Executive Director of Centuria Property Funds No.2 Limited since July 2021. Jennifer is Managing Director of commercial property consultancy firm, Customer 360, working with Australian businesses to develop place transformation strategies that deliver competitive advantage and growth. Her previous senior roles include AMP Capital Real Estate's Head of Customer Experience for the $10B Australia and New Zealand retail portfolio, Urban Development Institute of Australia's (UDIA Qld) Director of Brand and Innovation, Associate Director of Brand Strategy for Fortune 500 company AECOM, and General Manager of Retail for Virgin Mobile. Ms Cook is also an advisory board member of sharing economy start-up Vennu. Jennifer has a MBA from the University of Southern Queensland (USQ) and is a Graduate of the Australian Institute of Company Directors.
Natalie Collins **Non-Executive Director** Bachelor of Economics (Accounting) and Member of the Australian Institute of Company Directors	Natalie has been an independent Non-Executive Director of Centuria Property Funds No.2 Limited since July 2020. She also sits on the Boards of Centuria Life Limited and Guardian Friendly Society and is a member of Centuria Capital Group's Culture and ESG Committee. More recently, Natalie was Head of Emerging Ventures and Co-Founder of Amatil X, the corporate venture capital arm at Coca-Cola Amatil, established to leverage the global start-up ecosystem to uncover disruptive business models and new technologies to drive growth. Natalie started her career as an auditor with PwC and has since gained 20 years' experience in global CPG/FMCG spanning finance, corporate strategy, supply chain, marketing and innovation. Natalie holds a Bachelor of Economics (Accounting) from Macquarie University and is a Graduate at the Australian Institute of Company Directors (GAICD).

Source: Centuria

Figure 18: Management Team

Name & Role	Experience
John McBain **Joint CEO** Dip.Tech (Valuations), Diploma in Urban Valuation	John joined the Centuria Capital Board (formerly Over Fifty Group) on 10 July 2006 and was appointed as Chief Executive Officer in April 2008. John has built an extensive reputation over the years within the property industry. John founded property funds manager Waltus Investments Australia Limited and Hanover Group Pty Limited a specialised property consultancy and boutique funds manager. Waltus was formed in 1995 and was one of the first dedicated property funds managers in Australia. Prior to 1990, John held senior positions in a number of property development and property investments companies in Australia, New Zealand and the United Kingdom.
Jason Huljich **Joint CEO** Bachelor of Commerce (Commercial Law)	Jason became the Centuria Group Joint CEO in June 2019 after previously leading Centuria's Real Estate and Funds Management business. Jason was also a founding director and major shareholder in boutique funds manager Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006. He is an Executive Director of Centuria Capital Group. Jason has extensive experience in the commercial property sector, with specialist skills in property investment and funds management. He is also a past President of the Property Funds Association (PFA), which represents the $125 billion direct property investment body in Australia and continues to serve on their national executive. Jason holds a Bachelor of Commerce (Commercial Law) from the University of Auckland, New Zealand.
Stuart Wilton **Fund Manager** Bachelor of Business (Property), Member of Australian Property Institute	Stuart joined Centuria in 2010 and was appointed as a Fund Manager in 2017.Prior to this, Stuart worked for as a Capital Markets Analyst for Potomac Realty Capital in Boston, and was involved in close to $500M worth of transactions across all sectors. Overseeing all operations of nine unlisted property funds, Stuart is responsible for the fund establishment, performance, reporting and investor relations of assets in excess of over $930M. Stuart previously held several key positions in the Centuria asset management division, most recently Portfolio Manager and was primarily responsible for the proactive and efficient management of Centuria's property portfolio across both the Centuria Office REIT, Centuria Industrial REIT and various unlisted property funds. Along with the Transactions team, Stuart was responsible for administering asset disposals and completing the due diligence process for proposed acquisitions.
Ross Lees **Head of Funds Management** Bachelor of Business (Property Economics), Master of Applied Finance	Ross is the Head of Centuria's Real Estate Funds Management business, which is responsible for both listed and unlisted property funds. This includes two ASX listed REITs as well as 22 unlisted funds. Ross was previously the Fund Manager, Centuria Industrial REIT (ASX:CIP). Ross joined Centuria in 2017 and has over 15 years of investment management experience having joined from Dexus where he held senior transactional and portfolio management roles. Prior experience includes over six years at Stockland (ASX: SGP) and four years at Logos Property Australia having established and led their asset management platform.
Andrew Essey **Head of Transactions** Bachelor of Business Admin	Andrew joined Centuria Property Funds in February 2013 as National Leasing Manager, was appointed Fund Manager in November 2015, and transitioned to the role of Head of Transactions in July 2017. As Head of Transactions, he is responsible for originating and managing the Group's property transactions and oversight of the Group's acquisitions team. Prior to joining Centuria, Andrew worked for DTZ in Sydney's North Shore Agency from 2007, most recently holding the position of Director. While at DTZ, Andrew's focus was on leasing and sales within Sydney's North Shore industrial and office park markets. Andrew hold a Bachelor of Business Administration from Radford University, Virginia, USA with a Major in Marketing and Economics.
Ben Harrop **Head of Distribution** Bachelor of Economics, Graduate Diploma in Applied Finance, Diploma of Financial Planning, Postgraduate Certificate in Management, Diploma from the Australian Institute of Company Directors	Ben has spent 25 years in wealth management in various senior leadership positions. Ben brings broad market experience across the full advice and product spectrum. Prior to joining the Centuria Group, Ben worked at ANZ Wealth as Head of Strategic Accounts Management and managed the distribution and research of investment, platform, private client and insurance solutions at firms such as AMP Capital, Zurich, Bankers Trust and Macquarie Bank. Ben commenced his career working in his family insurance broking business. Ben is a Senior Associate with FINSIA (the Financial Services Institute of Australasia), and an active member of industry associations having been a judge for the AFA Rising Star of the year award.
Victor Georos **Head of Portfolio & Asset Management** BA (Land Economy), Graduate Dip. (Finance & Investment) (FINSIA)	Victor joined Centuria as Senior Portfolio Manager in April 2013 and was appointed Head of Portfolio and Asset Management in July 2015. He is responsible for overseeing portfolio and asset management of Centuria's portfolio, including the development and implementation of strategies to enhance value through active asset management and development. Victor has extensive experience in asset and investment management, development and funds management, across the office, retail and industrial sectors, with a key focus on results and ability to build high performance teams across all sectors. Prior to joining Centuria, Victor held senior positions with GPT Group and Lend Lease, including Head of Industrial & Business Parks at GPT.

Source: Centuria

Compliance and Governance

The Fund's compliance committee comprises of the two independent members of the board of Centuria Property Funds No.2 Limited (Roger Dobson and Peter Done)

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 Manager's reference to the six benchmarks and eight disclosure principles recommended by RG46. The Fund is compliant with all benchmarks and principles.

Benchmark 5 of ASIC guidelines relates to the Fund as a related party, Centuria, is providing a short-term loan for the Fund to finance the deposit and secure the fixed three-year swap rate. The benchmark requires Centuria to maintain and comply with a written policy on related-party transactions, including the assessment an approval processes for such transactions and arrangements to manage conflicts of interest. If the offer is not fully subscribed and as a result the Fund's interest in the Property is not acquired and the Fund's deposit is forfeited, Centuria Capital, and not investors will meet the cost of forfeiting the deposit.

Conflicts of Interests and Related Party Transactions

Centuria maintains a written policy on related party transactions, including the assessment and approval processes to manage any conflicts of interests. The policy is in compliance with ASIC's Disclosure Principles and Benchmarks set out in RG46. The Manager has also set out a number of related party transactions that are currently expected by the Fund:

- Centuria Capital has provided an unsecured loan to the Fund of $4.1M to finance the deposit payable for the Fund's 100% interest in the Property, as well as security to lock in the three-year interest rate swap under the Fund's proposed debt facility. Interest is charged at 10.0% p.a. and is forecast to be $0.1M. This is a related party transaction which was undertaken in compliance with Centuria's Conflicts of Interests policy. If the Offer is not fully subscribed and the Property is not acquired, then Centuria Capital, not Investors, will meet the cost of forfeiting the deposits.

- On behalf of the Fund, the Holding Trust may engage Centuria Property Services to provide property management, facilities management, development management and leasing services to the Holding Trusts in respect of the Property. If Centuria Property Services is appointed to provide these services, then it will be paid an amount no higher than what is currently paid to the existing provider and will be undertaken in compliance with Centuria's Conflicts of Interests Policy and in compliance with ASIC Regulatory Guide 46.

Removal of the RE

The RE can be removed and replaced with another appropriately licensed responsible entity if investors pass an extraordinary resolution to that effect at a properly convened meeting of investors. If such a resolution is successful (requiring 35% of all units on issue and 50% of all units voted to approve), the RE will be entitled to recover any deferred fees. The RE will not be eligible to receive exit fees if removed prior to the completion of the Fund. Core Property notes that this is a strong feature of the Fund and is better than industry norms.

Past Performance

Centuria Syndicate Performance

The Manager has advised that, since 1999, Centuria Capital Limited has completed 44 funds at a weighted average total return of 16.8% and an average total return of 15.3%.

Readers should note that 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.

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, Trusts in this category are considered high risk.

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