

INVESTOR UPDATE

Wholesale Australian Property Fund

ARSN 088 996 392

8 APRIL 2020

Dear Investor,

As investment markets respond to the historic uncertainty brought about by COVID-19, AMP Capital want to provide investors with as much transparency and assurance as possible. We have received tremendous support for the Wholesale Australian Property Fund (the **Fund**) over the last nine years and believe it is prudent to now take immediate action to preserve our ability to continue to deliver on the Fund's long-term investment objectives.

Today we are announcing that the responsible entity of the Fund has made a number of changes to the Fund's current policies which include:

- Deferral of the 15 April 2020 Specified Withdrawal Date to **15 May 2020**
- Payment times for withdrawal requests
- Valuation frequency of the direct property portfolio
- Distribution policy for 2020

The details of these changes follow in the note attached, but I thought it was important to be explicit about the rationale. In making these changes we have sought to achieve or balance a number of objectives:

- **Maintain a stable distribution** – the Fund's quarterly distribution has been fixed at 1.81 cents per unit (the same amount as December 2019) for each quarter in 2020. Based on the 31 March unit price, this equates to a 5.7% distribution yield.
- **Maintain a solid balance sheet with low debt** – as at 31 March 2020 the Fund's debt is 8.1%, which is within the target range of 0-15%. Low debt is a feature of the Fund and maintaining this at a time of great uncertainty represents prudent capital management.
- **Maintain certainty around redemptions** – it's not considered in the best interests of all investors to maintain monthly redemptions in the current economic environment. However, the changes we have announced provide investors with an ability to redeem up to 20% of their holding in the short term, with full payment made for any redeemed units over and above this threshold within 12 months. Accommodating investors who may be experiencing financial distress or who wish to rebalance their portfolios was an important consideration in taking this approach. We've also had regard to feedback from investors and advisers who would prefer to remain invested in the Fund but are concerned about the prospect of elevated redemptions if monthly payments are maintained through this crisis. For some investors, these changes will bring peace of mind.
- **Ensure that the unit price is fair** – we have moved to monthly valuation updates which will determine the unit price and have proactively incorporated all of AMP Capital's best estimates of short-term income impacts into the unit price as at 31 March 2020. This has been done to ensure that there is equity between all investors, irrespective of their intention to apply, redeem or stay invested.

Looking forward, for the remainder of the year our main objectives are to work in partnership with our tenants to secure the best possible outcome and to maintain the Fund's strong balance sheet and low debt. I have every confidence that between the changes we have made today, the hard work, expertise and dedication of the AMP Capital team, and the ongoing support of investors, we will achieve these objectives.

Yours sincerely,



Christopher Davitt
Fund Manager – Wholesale Australian Property Fund

Wholesale Australian Property Fund

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8 April 2020

Product Disclosure Statement changes

We are writing to advise you of important changes to the Wholesale Australian Property Fund ('Fund') that will be reflected in a new Supplementary Product Disclosure Statement ('PDS') and ASIC Benchmarks and Disclosure Principles, available at www.ampcapital.com from 8 April 2020.

In response to the COVID-19 pandemic, National Mutual Funds Management Limited (ABN 32 006 787 720, AFSL 234652), the responsible entity ('RE') of the Fund has made a number of changes to the Fund's current policies which include:

- Deferral of the 15 April 2020 Specified Withdrawal Date to 15 May 2020
- Payment times for withdrawal requests
- Valuation frequency of the direct property portfolio
- Distribution policy for 2020

Details of the new policies are provided below. Before making any investment decisions, we recommend you read the information [in the PDS](#) about the benefits and risks of investing, and the other features of the Fund.

Specified Withdrawal Date

You can submit a withdrawal request at any time. However, withdrawal requests will normally be processed on the Specified Withdrawal Date, which is the 15th day of each calendar month, or the next Business Day if the Specified Withdrawal Date is not a Business Day.

Withdrawal requests received after 1.00pm Melbourne time on any Specified Withdrawal Date will normally be held over to the next Specified Withdrawal Date for processing.

The next Specified Withdrawal Date will be **15 May 2020** rather than 15 April 2020.

Deferring the Specified Withdrawal Date gives investors who have lodged a withdrawal request time to consider the new payment times, valuation policy and distribution profile and the opportunity cancel the withdrawal request if they wish to do so. The deferral of the Specified Withdrawal Date is also necessary to provide time to adjust administrative processes and systems.

Payment times for withdrawals

Currently, the Responsible Entity aims to accept withdrawal requests monthly. Where the redeemed units comprise up to 20% of the investor's balance, payment shall be made within 90 days of the Specified Withdrawal Date. Any remaining redeemed units shall be paid within 365 days of the previous Specified Withdrawal Date. The 20% threshold may only be applied once in any 12-month period.

Withdrawals will be limited to 5% of the net asset value of the Fund per calendar quarter (although we have discretion to alter this amount). The Fund's constitution allows for withdrawal requests to be paid even longer than 12 months in some circumstances.

The unit price used to calculate your withdrawal value will generally be the price calculated on the last valuation date before we process the payment of your withdrawal request (or part of your withdrawal request).

Valuation policy

The Fund's valuation policy is to have all properties independently valued by a registered valuer every quarter (unless the property is being marketed for sale, is under development or is co-owned), or more frequently if deemed appropriate.

In response to the COVID-19 pandemic the valuations of all of the properties in the Fund which are currently on a quarterly cycle will be updated by valuers on a monthly basis. The updates will take movements in the tenancy schedule, recent comparable transactions and the valuer's latest assumptions around future cash flows into account. These valuations will be used to calculate the unit price.

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

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

Distribution policy

The Fund's objective is to pay distributions every quarter. The distribution is primarily comprised of rental income however, where the Fund's income or distribution per unit would otherwise be temporarily reduced, then the Fund may include a component of capital as part of the distribution. This may involve part of the distribution effectively being funded from borrowings.

A fixed distribution of 1.81 cents per unit will be paid in each quarter of 2020. Based on the unit price at 31 March 2020, this equates to a 5.7% distribution yield.

Further information

If you have any questions about this update, please contact your Client Account Manager or our Client Services Team on 1800 658 404, between 8.30am and 5.30pm (Sydney time) Monday to Friday or via email at clientservices@ampcapital.com.

Yours sincerely,



Corrine Henville
Head of Global Client Services and Enablement
AMP Capital Investors Limited

ampcapital.com

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

Questions and Answers

When is the next Specified Withdrawal Date?

The next Specified Withdrawal Date is **15 May 2020**. Any withdrawals requests that were lodged after the previous Specified Withdrawal Date (which was on 16 March 2020) will be processed on 15 May 2020 (with payments to be made in accordance with the new payment times).

Deferring the Specified Withdrawal Date gives investors who have lodged a withdrawal request time to consider the new payment times, valuation policy and distribution profile, and the opportunity cancel the withdrawal request if they wish to do so. The deferral of the Specified Withdrawal Date is also necessary to provide time to adjust administrative processes and systems.

Can I cancel my withdrawal request?

Yes. You can cancel your withdrawal request by notifying us in writing or by contacting us on 1800 658 404.

What is the 20% threshold applied to?

Where the redeemed units comprise up to 20% of an investor's balance, payment shall be made within 90 days of the Specified Withdrawal Date. The 20% threshold may only be applied once in any 12-month period.

The table below is provided to help illustrate how this will apply.

Example	Investor Balance*	Withdrawal	90-day payment	365-day payment
Example A	100 units	10 units	10 units	Not applicable
Example B	100 units	30 units	20 units	10 units
Example C	100 units	100 units	20 units	80 units

* as at the Specified Withdrawal Date

What unit price will be used to calculate the withdrawal value?

The unit price used to calculate your withdrawal value will be the price calculated on the last valuation date before we process the payment of your withdrawal request. This means that where two payments are made at different times, the unit price for each payment may be different.

How long will the current withdrawal payment terms be in place for?

The revised payment terms are a response to the COVID-19 pandemic. Once market conditions have stabilised, the intention is to revert to the payment times in place before these changes were made.

Is the Fund still open for applications?

Yes.

How much liquidity does the Fund have?

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

At this time, the Fund remains liquid.

The Fund's liquidity position will continue to be monitored. In the event that the Fund is not able to meet withdrawal requests in part or in full or if the Fund is declared illiquid, the Responsible Entity will as soon as practicable communicate how it plans to meet withdrawal requests in the future. This communication will include the steps to be

taken over the next 12 months and the expected liquidity position during this time. This may involve raising equity from new investors, utilising existing cash, increasing the level of debt, selling property securities, selling direct property or undertaking a combination of these measures. Quarterly updates will provide an update on the steps taken or proposed to be taken, the expected liquidity position and the anticipated timeframe to implement these steps. The updates will be provided until such time as monthly processing of withdrawal requests resumes.

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

The Fund currently holds a \$500 million debt facility, of which \$175 million was drawn as at 31 March 2020. The drawn debt equates to 8.1% of the Fund's gross assets. The average interest rate on the drawn debt as at 31 March 2020 was 1.57%.

Sources of liquidity immediately available as at 31 March 2020 include:

Source	\$
Debt – undrawn	\$325.0 million
A-REITs	\$101.4 million
Cash	\$33.4 million
Total	\$459.8 million

In addition, the Fund currently owns interests in 26 properties and may elect to sell one or more of these to enhance liquidity. The Fund's property at Rose Hill, Sydney, is subject to a compulsory acquisition order from the NSW State Government (to facilitate the construction of the western Sydney metro). We currently expect the property to be acquired and the proceeds to be received in H2 2020. The Fund's interest in the property is currently valued at \$16.75 million.

What measures have been taken in response to the COVID-19 pandemic?

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

- **Acquisitions** – we are not currently pursuing any acquisition opportunities. We had previously expected to make between \$200-\$400 million of acquisitions in 2020.
- **Developments** – we will not commence construction of Holbeche Industrial Estate until market conditions have stabilised. A co-owner's meeting with Goodman (50% owners) was called to secure this outcome.
- **AREITs** – we have trimmed our exposure from 9% of gross assets to 4.7% of gross assets over the course of the last month. This action mitigated the loss of value in the AREIT portfolio during the March quarter.
- **Debt refinance** – we have no exposure to debt refinancing in the next 6 months but are actively engaged with our three lenders, being Westpac, NAB and ANZ.
- **Withdrawal payment times** – to protect investors' interests we have changed the payment times for withdrawals as explained in this document.
- **Valuations** – we have increased our valuation cycle from quarterly to monthly (unless the property is being marketed for sale, is under development or is co-owned),
- **Distributions** – we have committed to pay a fixed distribution of 1.81 cents per unit in each quarter of 2020. Based on the 31 March unit price, this equates to a 5.7% distribution yield.
- **Increased disclosure** – we have increased our reporting frequency from quarterly to monthly in order to keep all stakeholders abreast of developments in a timely manner; and we have brought forward the release of the March 2020 quarterly report to provide updated portfolio and valuation information.

More broadly, AMP Capital is responding to the crisis in the following ways:

- **Operations** – A COVID-19 Steering Committee has been formed and meets daily to respond to the evolving situation. Changes have been implemented to keep the properties operational. Asset based teams have put in place flexible work arrangements that ensures we best balance the requirements to effectively and safely manage the asset, while also ensuring the availability of a backup team.
- **Stakeholder Engagement** – we are actively engaged with tenants, industry bodies and government to negotiate a way forward which recognises the interests and challenges faced by all parties and seeks to provide a fair and commercial outcome.

[Will a sell spread be introduced?](#)

No, the Fund's constitution does not allow for sell spreads to be applied to withdrawal payments.

[Will these changes impact the distribution I receive?](#)

The changes to the payment times for withdrawals do not affect the amount or timing of the quarterly distribution payment.

Separately, we are committing to pay a fixed distribution of 1.81 cents per unit in each quarter of 2020. Based on the unit price at 31 March 2020, this equates to a 5.7% distribution yield.

[How can I get more information about the portfolio and the returns?](#)

Please click on the link below to access the latest performance report for the Wholesale Australian Property Fund or alternatively visit www.ampcapital.com:

[Direct & on-platform investors](#)