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Responsible entity for  
Charter Hall Direct Office Fund  
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6 November 2019

Dear Investor,

## **Important information: Charter Hall Direct Office Fund (DOF or Fund) – five-yearly scheduled Liquidity Event**

In line with the Product Disclosure Statement (PDS), DOF is approaching its regular five-yearly Liquidity Event which provides Investors with the option of remaining in the Fund, exiting a portion of their investment or exiting their investment in the Fund in full.

**For Investors who wish to stay invested in the Fund, no further action is required and the Fund will continue to be invested in an institutional quality Australian office portfolio.**

### **What is the Liquidity Event?**

DOF operates on rolling five-year investment terms. As outlined in the PDS, a Liquidity Event is held at the end of each investment term where, subject to its obligations at law, Charter Hall will endeavour to provide liquidity for all Investors wishing to exit all or some of their investment in the Fund. The end of the current investment term for the Fund is in December 2019 and all unit classes in the Fund are eligible to participate in the 2019 Liquidity Event.

### **What do Investors need to do?**

**Read** this letter in full.

**Review** your investment and consider consulting your professional adviser.

**Decide** whether to remain fully invested or exit some or all of your investment in the Fund.

- **I want to stay invested in DOF** - If you do not wish to exit your investment in the Fund there is no action required. Please do **not** complete the enclosed Liquidity Event Form.
- **I want to exit DOF** - If you wish to exit the Fund then you should consider participating in this 2019 Liquidity Event. If you decide to participate, you should carefully read and complete the enclosed Liquidity Event Form. Please refer to the Important Information section of this letter for further details.
- **I am not sure if I want to participate in the 2019 Liquidity Event** - If you are not sure if you want to participate in the 2019 Liquidity Event or are in doubt about how to deal with the Liquidity Event Form please consult your professional adviser. Charter Hall is unable to provide investors with personal financial or taxation advice.

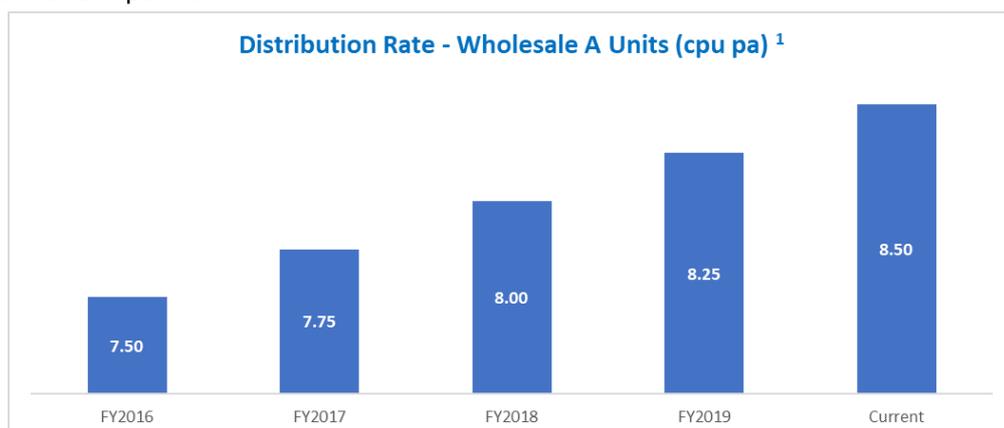
## Fund review and performance

Charter Hall has been managing the Fund since March 2010 when the Fund strategy was refocused to the direct ownership of institutional quality properties in the Australian office sector. In the period since the last Liquidity Event (December 2014) Charter Hall has continued to actively manage the portfolio resulting in material improvements in the key metrics of the Fund. The below table outlines the key changes over the past five years that have occurred in the Fund and the Investor benefits.

2014	2019	Investor Benefits
<b>Unit Price Growth <sup>1</sup></b> \$1.00	<b>Unit Price Growth <sup>1</sup></b> \$1.47	Strong growth in net tangible assets reflected by the 47% increase in the unit price (Wholesale A Units).
<b>Distribution Rate <sup>1</sup></b> 7.50cpu	<b>Distribution Rate <sup>1</sup></b> 8.50cpu	Steady and consistent income growth for investors.
<b>No. of Properties</b> 8	<b>No. of Properties</b> 14	Greater geographic and tenant diversification. No single tenant represents more than 10% of Fund income (excluding government tenants, which comprise 29% of Fund income).
<b>Portfolio Value</b> \$483m	<b>Portfolio Value</b> \$2.09b	Greater portfolio diversification and improved debt terms given the benefits of scale associated with a larger property portfolio.
<b>Occupancy</b> 93%	<b>Occupancy</b> 99%	Occupancy rates in every DOF property exceed the Property Council of Australia occupancy benchmarks.
<b>Weighted Average Lease Expiry</b> 4.2 years	<b>Weighted Average Lease Expiry</b> 8.4 years	Income security from longer lease terms has doubled over the last five years and the weighted average lease expiry extends well past the 2024 Liquidity Event.

The Fund has delivered an average total return of 15.8% per annum (Wholesale A Units) between November 2014 and September 2019 compared to the benchmark return of 10.8% per annum during the same time period.<sup>1</sup>

The Fund has also been able to increase the distribution rate paid to Investors from 7.50 cents per unit per annum (cpu pa) in FY2016 to the current rate of 8.50 cpu pa providing sustainable and stable income returns over the past five years.<sup>2</sup> The other classes of units have enjoyed similar returns over this period.<sup>3</sup>



1. Past performance is not a reliable indication of future performance.
2. Distribution rates for the DOF Wholesale A Unit class. The distribution rate for FY2014 and FY2015 was also 7.50 cents per unit. Current distribution rate of 8.50 cpa represents the annualised distribution rate for Wholesale A Units based off the actual September 2019 quarterly distribution of 2.125 cents per unit. Distribution rates for future quarters may vary.
3. The distribution rate for each of the other classes of units for the September Quarter was: 1.8571 cents per unit (Retail Units), 1.8037 cents per unit (Ordinary Units), and 1.9199 cents per unit (Wholesale Units). Distribution rates for future quarters may vary.

## Ongoing Fund strategy

The Fund will continue past the December 2019 Liquidity Event and Charter Hall will continue to focus on delivering sustainable and stable income with the potential for capital growth. Specifically, the Fund's investment strategy is to:

- invest in office properties in CBD or established Australian office markets for the medium to long term and actively manage them to increase their value and income growth prospects;
- grow the rental income of the Fund by attracting and retaining high profile or well regarded tenants on long leases with structured rental increases;
- seek investment opportunities, including co-investment opportunities through Charter Hall Group's investment pipeline, its joint venture partners and others in accordance with clear investment criteria; and
- regularly review and rebalance the portfolio, including where appropriate, selling Properties to maximise risk adjusted returns for investors.

## Important dates

2019 Liquidity Event opening date	8 November 2019
2019 Liquidity Event closing date	17 December 2019
Independent portfolio valuations completed	On or around 31 December 2019
2019 Liquidity Event payment date	Payment is likely to occur in the first quarter of calendar year 2020 and will occur after the independent portfolio valuations are completed and reflected in the Exit Price
30 June 2020 taxation statement sent	Around 31 July 2020
Transaction statement sent	Approximately 10 days after the 2019 Liquidity Event payment date

## Important information

### Fund information & FAQs

Investors are encouraged to visit the website for additional information including:

- Current and historical unit price data
- Current and historical distribution data
- Liquidity information (Liquidity Events and Limited Withdrawal Offers)
- Fund documents (PDS, financial and quarterly reports)
- Taxation information
- Investor FAQ

To access this information, please visit [www.charterhall.com.au/dof](http://www.charterhall.com.au/dof)

### Payment timing for investors electing partial or full liquidity

As per the PDS, Charter Hall will aim to deliver liquidity within 12 months of the 2019 Liquidity Event closing date. It is the expectation that the majority or all of the liquidity requests will be met in the first quarter of calendar year 2020 noting that this is dependent on the quantum of requests received. Additional information related to the terms and conditions of the 2019 Liquidity Event can be found in the PDS.

### Exit price

The final Exit Price for units will be determined immediately prior to the units being redeemed or transferred. On or around 31 December 2019 and prior to any redemption or transfer of any unit, Charter Hall intends to obtain independent valuations of the Fund's property portfolio and the unit

price will be updated accordingly. Charter Hall's policy is to revalue a property where it believes that a property valuation has moved materially. Movements in the valuation of the Fund's property portfolio along with movements in other assets and liabilities of the Fund such as interest rate hedging contracts, performance fees, the amortisation of certain Fund costs as well as ongoing rental income received will impact on the unit price and the final Exit Price.

Units realised through the 2019 Liquidity Event will be redeemed or transferred at the Exit Price, which reflects the unit price of the relevant class less the Sell Spread. The Sell Spread for the 2019 Liquidity Event is 2.5%, and this cost accrues to the Fund and ensures all exiting Investors share in the sale costs and /or future sale costs of the property portfolio. Please refer to the enclosed Liquidity Event Form for further details.

To assist Investors in their decision on whether to exit their investment or remain invested in the Fund, the unit price and indicative Exit Price are listed below for the various unit classes in the Fund as at 31 October 2019.

<b>Charter Hall</b> 	<b>Wholesale A</b>	<b>Wholesale</b>	<b>Ordinary</b>	<b>Retail</b>
<b>unit price</b>	\$1.4745	\$1.3297	\$1.3294	\$1.3295
<b>Indicative Exit Price</b> <small>(unit price less Sell Spread)</small>	\$1.4376	\$1.2965	\$1.2962	\$1.2963

Please note that the final Exit Price for the 2019 Liquidity Event will change as a result of the factors mentioned. Please refer to the Fund's website for updated unit price and Exit Price information.

### **Taxation information**

Individual taxation outcomes as a result of participating in the 2019 Liquidity Event will depend on a number of factors including, but not limited to, the Exit Price, when units were acquired by the Investor and whether dividend re-investment had been elected and the structure of the investing entity. Charter Hall is unable to provide taxation advice and we recommend that Investors seek taxation advice regarding any withdrawal proceeds. Historical distribution rates and unit prices can be found at [www.charterhall.com.au/dof](http://www.charterhall.com.au/dof).

### **Future redemption opportunities**

Following the conclusion of the 2019 Liquidity Event, Charter Hall intends to hold the next Liquidity Event in December 2024. Between the current 2019 Liquidity Event and the 2024 Liquidity Event, the Fund intends to have Limited Withdrawal Offers every six months where Investors will be invited to redeem units.

Limited Withdrawal Offers are subject to the Fund having available liquid assets and may be scaled back in the event that redemption requests exceed the Fund's available liquid assets. It is expected that, in aggregate, at least \$20 million will be made available each year under Limited Withdrawal Offers.

Further information relating to Limited Withdrawal Offers can be found in the PDS, and on the Fund's website. The next Limited Withdrawal Offer for the Fund is expected to occur on or around July 2020.

### **Distribution payments**

Distributions are accrued through each quarter and are paid approximately 15 to 20 days after each quarter end. Distributions will continue to accrue and be payable while Investors remain invested in the Fund. The Exit Price at the date of transfer or redemption will take account of any accrued income. The distribution reinvestment plan will not be available for investors who have elected to participate in the 2019 Liquidity Event. Investors who elect to redeem a portion of their investment through the Liquidity Event will be able to participate in the distribution reinvestment plan for their remaining investment following the conclusion of the 2019 Liquidity Event.

### **Funding liquidity requests**

In order to provide liquidity for Investors who wish to exit some or all of their investment in the Fund, Charter Hall may provide liquidity through one or more options:

- redeem units using borrowings, proceeds from new issues of units and/or the sale of Properties;
- transfer units from Investors who wish to exit to willing purchasers, including existing Investors or new investors – transferees may be related entities of Charter Hall; or
- undertake a combination of these or other measures.

To give effect to the above, under the Liquidity Event Form, Investors appoint Charter Hall as their agent and attorney to transfer or redeem units.

### Key terms and conditions

The price which Investors will receive on exit will equal the Exit Price last calculated prior to the date on which the relevant units are transferred or redeemed.

Charter Hall may transfer or redeem units in one or more instalments. Where it does so Charter Hall intends to exit (by redemption or transfer) units at each instalment on a pro rata basis based on the number of units the subject of a Liquidity Event Form.

Unless Charter Hall otherwise determines, where an investor holds units of different classes, units will be transferred or redeemed in the order in which they were issued.

Charter Hall will aim to deliver liquidity within 12 months of the 2019 Liquidity Event closing date. It is the expectation that the majority or all of the liquidity requests will be met in the first quarter of calendar year 2020 noting that this is dependent on the quantum of requests received.

Charter Hall reserves the right to vary, cancel, defer, scale back or suspend the 2019 Liquidity Event at any time in accordance with the PDS and the constitution of the Fund.

### Next steps

**For Investors who wish to stay invested in the Fund, no further action is required.**

For Investors who wish to exit the Fund, either in part or in full, the Liquidity Event Form is enclosed with this letter. If you wish to exit some or all of your investment in the Fund, you need to complete the Liquidity Event Form and:

- scan a copy and email it to [charterhall@boardroomlimited.com.au](mailto:charterhall@boardroomlimited.com.au); or
- mail the original to:  
DOF Liquidity Event  
C/- Boardroom (Victoria) Pty Limited  
GPO Box 3993  
Sydney NSW 2001

***If you are looking to exit some or all of your investment in DOF then the Liquidity Event Form must be received by 5.00pm AEST on the 2019 Liquidity Event closing date of 17 December 2019.***

To check that your Liquidity Event Form has been received, you can log onto Investorserve at [www.investorserve.com.au](http://www.investorserve.com.au) or call 1300 137 895.

### Contact us

If you have questions, please speak with your financial adviser or contact us on:



1300 652 790



[direct.property@charterhall.com.au](mailto:direct.property@charterhall.com.au)

We appreciate and thank you for your ongoing support of Charter Hall.

Yours sincerely



Steven Bennett  
Direct CEO

Notes:

In this letter Charter Hall refers to Charter Hall Direct Property Management Limited (the Responsible Entity) or Charter Hall Holdings Pty Limited, appointed by the Responsible Entity as manager of the Fund.

Capitalised terms not otherwise defined in this letter have the same definition given to those terms in the PDS.