

INFORMATION MEMORANDUM

NOARLUNGA COMMERCIAL COMPLEX
12-18 DAVID WITTON WAY, NOARLUNGA CENTRE

November 2016



WHY PEOPLE CHOOSE PEAK EQUITIES



Opportunity
and Returns



Peace of
Mind



Expert Property
Selection and
Management



Diversification
and Liquidity



Regular Tax-
Effective Income
Distributions



Communication
and Information



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Introduction

We are pleased to present our latest acquisition – a significant Commercial and Bulky Goods Retail Complex in the Adelaide suburb of Noarlunga Centre.

OUR 5 REASONS FOR CHOOSING TO PURCHASE THE NOARLUNGA COMMERCIAL COMPLEX

1. FAIR VALUE

The property has been purchased for \$17,750,000 at a passing, fully-let **yield of 8.39%**. We are reliably informed that the property was independently valued in 2014 for more than \$18million.

2. LOCATION

The Noarlunga Commercial Complex is ideally located in the heart of the Noarlunga Centre retail precinct. The population of Noarlunga Centre is forecast to increase by almost 85% over the coming 20 years, underpinning future increases in rental income.

3. TENANT MIX

The property offers 9 separate tenancies, including an attractive mix of commercial and retail spaces. The commercial spaces are soundly let to government and not-for-profit tenants, and contribute approximately 40% of the net rental income with an average lease expiry of 7.8 years. The average net rental rate for the Complex's Large Retail tenants is a modest \$173 per sq. metre, which gives us confidence that any vacancies can be readily filled at the prevailing rental rates.

4. INCOME

Based on our forecasts, the net income of the Noarlunga Unit Trust is expected to average **10.6% p.a.** over the next 5 years. We propose to make monthly income distributions at the rate of **9.2% p.a.** leaving adequate cash reserves for capital outlays and contingencies.

5. CAPITAL GROWTH POTENTIAL

Arises from two principal sources – future increases in rental income and the prospect of extending the building by the addition of a second level of office accommodation.

We welcome your interest in the Noarlunga Unit Trust. You will be assured of our ceaseless attention to managing and optimising the value of the property and the returns on your investment.

Sincerely



Tom Borsky

Director - Peak Equities Pty Ltd

Offer Details

- 1. Peak Equities Pty Ltd is trustee of the NOARLUNGA UNIT TRUST (“the Trust”),** created on 24 October 2016. The principal activity of the Trust will be the acquisition and management of the investment property at 12-18 David Witton Drive, Noarlunga Centre, Adelaide.
- 2. The property will be purchased for \$17,750,000.** Peak Equities will arrange non-recourse bank funding for between 60% and 65% of the contract price.
- 3. The Trustee will raise Equity Capital from Investors of between \$8 and \$8.8 million,** dependent upon the final value of bank finance.
- 4. Peak Equities is currently undertaking a comprehensive Due Diligence investigation** and analysis of the property. Subject to the satisfactory outcome of that process, an unconditional contract will be executed by both parties.
- 5. Exchange of contract with the Vendor is estimated to occur by 30 November 2016,** with settlement scheduled for 31 January 2017..
- 6. Each Investor may apply for between 200 and 800 ordinary Units of \$1,000 each** in the capital of the Trust (Investment Value \$200,000 to \$800,000). Applications may only be made on the Application Form attached to this Information Memorandum.
- 7. The Offer is available exclusively to Sophisticated Investors** as defined in the Corporations Act. New investors will be required to provide an accountant’s certificate confirming that they qualify as a Sophisticated Investor. Investors will also be required to provide proof of identity in conformity with the Federal Anti-Money Laundering and Counter-Terrorism Funding Legislation.
- 8. Investors must lodge a deposit equal to 20% of the value of their total investment** immediately upon acceptance of their Application. Deposit funds will be lodged directly into the solicitor’s trust account and will be applied in the first instance to payment of the deposit on purchase of the investment property and stamp duty as required.
- 9. The remaining 80% subscription price will be payable around mid-January 2017,** within 7 days of written request from the Trustee. Unit certificates will be issued by the Trustee upon receipt of the balance payment by each investor.
- 10.** Prior to confirming their investment, intending Unitholders will be provided with a copy of the Trust Deed and the Unitholders’ Deed of the Noarlunga Unit Trust, and will be required to sign a Deed agreeing to be bound by the terms of those documents.

Property Details

The Noarlunga Commercial Complex, at 12-18 David Witton Drive, Noarlunga Centre occupies a site of approximately 15,000 sq. metres. The property is situated on a regular shaped block bounded by David Witton Drive to the north and east, James Clark Road to the west, and Seaman Road to the south, providing ease of access and ample car parking.



The improvements on the site comprise seven (7) Large Retail (Bulky Goods) outlets together with two (2) Commercial Office premises. The total Net Lettable Area is approximately 7,337 sq. metres. The two Commercial areas, leased to the South Australian State Government and Australian Red Cross account for approximately 40% of net rental income, with a weighted average lease expiry (WALE) of 7.8 years.

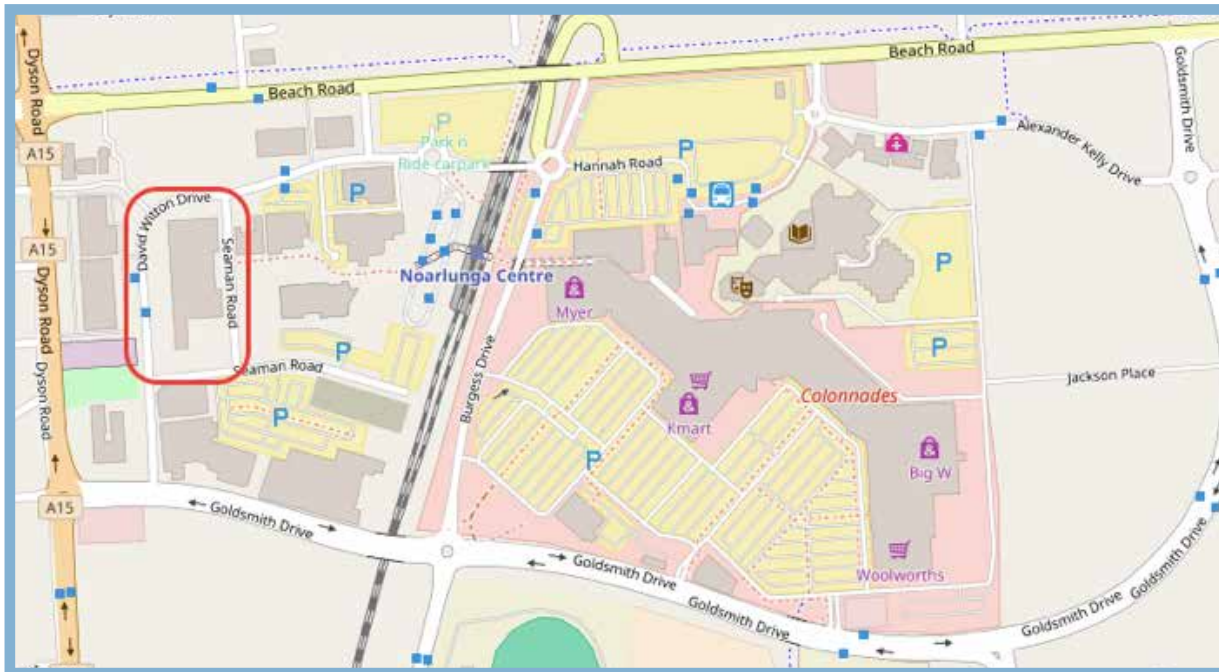


Originally constructed in 2010 by Tagara Builders to a high standard and with the ability to house an addition floor, the building is full height pre-cast concrete, with an insulated roof, climate control, and appropriate fire services throughout. As a single-level complex, maintenance of the property is expected to be relatively low-cost. The air conditioning and heating services and the fire services equipment are likely to have a further useful life of more than 10 years.



The Noarlunga Area

The Noarlunga Commercial Complex is centrally positioned in the Adelaide suburb of Noarlunga Centre, home to some of the country's most prominent retailers – Anaconda, Petbarn, Amart, Good Guys, BCF, and Harvey Norman, each of which is located in close proximity to the subject property. Noarlunga Centre also offers a range of cultural and civic amenities, and houses the City of Onkaparinga Civic Centre and Offices within in the 'Colonnades' site, located only 700 metres to the east.



The 'Colonnades' shopping centre, which recently sold for \$150m (50% share) *(JLL Shopping Centre Investment Review Feb 2013), is a drawcard for the entire Noarlunga Centre, with 200+ specialty retailers and various amenities on site.

Noarlunga Centre is a destination in Southern Adelaide, attracting consumers from a large surrounding area, with impressive forecast population growth. The closest competing shopping districts are; Westfield Marion, some 19 kilometres north of Noarlunga Centre, and the privately owned Aldinga Shopping Centre, some 20 kilometres south.

The City of Onkaparinga, comprising some 52,000 hectares is the most populous Local Government Area in South Australia. Reputed demographers, Forecast.id are predicting **growth of 84.9% in the suburb of Noarlunga Centre in the next 20 years to 2036.**



Market Trends and Bulky Goods Retail

Commercial Property prices have increased strongly throughout Australia over the past three years. Retail spending in South Australia (SA) has continued to improve after a strong performance in 2015. In line with the national average, retail spending in SA has increased by 3.5% year-on-year *(ABS). The entrance of international retailers into the Australian market has contributed to this national increase. The SA retail market has kept pace with the larger capital cities

The impressive performance of retail in Australia has seen the larger listed Property Trusts (A-REITS) take advantage of investor interest in retail centres – selling smaller to medium-sized assets.

A comparable retail centre at Playford Plaza, Elizabeth, recently changed hands for \$19.76 million, on a yield of

7.14%. Playford Plaza is located 26 kilometres north of the Adelaide CBD, in the suburb of Elizabeth. Similar in many respects to the Noarlunga Commercial Complex, Playford Plaza is situated adjacent to a large shopping centre, capitalising on the high consumer traffic in the area.

The Noarlunga Commercial Complex will be purchased at a fully-let initial yield of 8.39%. This represents a premium of more than 6% above short-term interest rates. Additionally, we consider that the strong commercial component of the Noarlunga property, leased to the SA State Government and Australian Red Cross, enhances the security and value of the asset.

Financial Summary

| | |
|----------------------------------|------------------|
| Contract Purchase Price | 17,750,000 |
| Acquisition Costs (4%) | 710,000 |
| Establishment Fees (3%) | 553,800 |
| Due Diligence & Borrowing Costs | 100,000 |
| Initial Cash Reserve | 321,200 |
| Gearing - 60% of Contract Price* | 10,650,000 |
| Mortgage Interest Rate | 4.25% |
| Investor Equity Required | 8,800,000 |

*The Trustee may elect to increase gearing to 65% of contract price

With settlement scheduled for 31 January 2016, the following outcomes are forecast for the ensuing five-year period:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---------------|---------------|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Net Rental Income | 1,480 | 1,517 | 1,554 | 1,593 | 1,633 |
| Less | | | | | |
| Mortgage Interest | 453 | 453 | 453 | 453 | 453 |
| Management Fees & other Expenses | 162 | 166 | 168 | 171 | 174 |
| Net Income | 865 | 898 | 933 | 969 | 1,006 |
| Yield on Equity (60%) gearing | 9.8% | 10.2% | 10.6% | 11.0% | 11.4% |
| Income Distributions (9.2%) | 837 | 837 | 837 | 837 | 837 |
| Cash Surpluses for vacancies, incentives, letting fees and capital expenditure. | 349 | 61 | 96 | 132 | 169 |

Tenancy Schedule

| Tenant | NLA | Rent psm | Rental Income | Lease Expiry |
|------------------------------|-------|----------|------------------|--------------|
| State Government - Offices | 800 | 375 | 300,000 | 30/4/25 |
| State Government - Warehouse | 561 | 307 | 172,227 | 30/4/25 |
| Red Cross * | 471 | 255 | 120,105 | 27/10/21 |
| Costume Land ** | 417 | 175 | 72,975 | 1/12/21 |
| Megazone | 731 | 205 | 149,855 | 31/5/20 |
| Savers Aust | 2012 | 171 | 344,052 | 10/2/20 |
| Spa Health | 1440 | 139 | 200,160 | 30/6/21 |
| Spa Health - Annex *** | 400 | 139 | 55,600 | 30/6/21 |
| Godfreys | 260 | 265 | 68,900 | 30/11/17 |
| Rugs-A-Million | 245 | 265 | 64,925 | 28/2/18 |
| Totals | 7,337 | | 1,548,799 | |
| Less Unrecovered Outgoings | | | 60,000 | |
| Net Rental Income | | | 1,488,799 | |

* Red Cross Annual Rental is currently subject to independent determination at the commencement of new 5-year term. Actual rental at October 2016 was \$129,000

** Costume Land has been operating under Licence on a trial basis for several months. The tenant has requested a five-year lease term and lease documents are in the course of preparation.

**Spa Health Fitness Centre has enjoyed free use of the adjoining premises under a licence expiring on 01 December 2016. For practical purposes, the two areas have been integrated into the gymnasium and formal lease negotiations are in train.

Manager's Entitlements

| Category | Description | Entitlements |
|---------------------------|--|---|
| Establishment Fee | The Manager charges an initial fee calculated as a percentage of the Acquisition Cost of the investment property, including stamp duties and other statutory transaction costs. | 3% of Acquisition Cost |
| Carried Interest | Interests associated with the Manager have been allotted 200 Founder Units in the capital of the Trust. | Founder Units are entitled in aggregate to 4% of the income and capital of the Trust. |
| Syndicate Management Fees | Paid monthly to Peak Equities Management Pty Ltd for managing the assets and all of the activities of the Trust and the interests of Unitholders. Calculated by reference to the Gross Asset Value of the Trust at the end of each financial year. | 0.07% of the Gross Asset Value of the Trust (as defined in the Trust Deed) |
| Capital Gains | Interests associated with the Manager have been allotted 200 Special CG (capital gain) Units in the Trust. | Special CG units will be entitled in aggregate to 20% of the capital gains derived upon sale of the investment property |
| Selling Fee | Charged in respect of the sale of the Trust's property (from which all external agents' fees and direct selling expenses will be paid) | 2.25% of Sale Contract Value |

Peak Professionals

Our team of property and financial professionals provide extensive industry experience and proven results.



TOM BORSKY

B.EC FCA - MANAGING DIRECTOR



JAMES WEAVER

B.COM LLB - NON EXECUTIVE DIRECTOR



DAN MAGREE

FAPI FRICS CPV - PROPERTIES CONSULTANT



DAVID BORSKY

B.COM - ASSET MANAGER

Risk Factors

Intending Investors should be aware of the following attributes of an investment in the Trust:

- Units in the Trust will be illiquid for a period of five years, in that they may not be readily saleable, and may be converted to cash only when the investment property is sold or when otherwise provided in the Unitholders Deed.
- The Manager has no obligation to purchase or redeem Units during the first 5 years of the life of the Syndicate. There is no established secondary market for Units and transfers may only be effected in accordance with the Constitution

Whilst the revenue forecasts provided in this Information Memorandum have been carefully formulated based on current market conditions and reasonable assessment of future conditions, unforeseen or uncontrollable circumstances may arise during the term of the Fund which adversely affect the projected income streams and/or future capital values. There is no guarantee the financial forecasts in this IM will be achieved. There are a number of risk factors which could impact on the projected income, the tax effectiveness of any distributions, and the return of capital or capital growth.

An investment of this nature carries a certain level of commercial risk, and the performance of the Fund may be affected by a number of factors, many of which are outside the control of the Manager. Some of the significant risks and the way the Manager aims to manage those risks are set out in the sections below. Please note the Manager cannot eliminate all risks and cannot promise that the way it manages them will always be successful.

Property risks

All property investment by its nature involves risk, and an investment in the Fund is no different. The Manager cannot guarantee the occupancy rate of the property, nor the income available for distribution to investors. Neither can the Manager warrant that the eventual sale of the property will generate capital gains to the investors.

Insurance risks

The Manager will insure the Property for full replacement value. However, the circumstances of a particular loss or the specific provisions of the insurance policy may preclude a claim being accepted by the insurer. Additionally, there is a risk that the insurance money received may not be adequate to compensate the Trust.

Forecasting risks

The Manager does not guarantee the indicated earnings and rate of distribution set out in this IM. Investors should make their own reasonable enquiries and form an independent opinion of the future performance of the Fund. The forecast financial information has been derived from financial models which have been developed by the Manager. There is a risk that the models may not accurately predict future distributions available from the Trust because one or more assumptions prove to be incorrect. Assumptions are generally only a best estimate at a point in time.

Borrowing risks

It is intended to partially fund the purchase of the property with debt and the Manager has received an indicative offer for finance from both CBA and NAB to provide a loan facility. Whilst an indicative offer has been obtained there is no guarantee the debt funding will ultimately be made available by the bank. The Manager will be required to meet various conditions before the funding can be drawn down. If the debt funding is not provided the Manager will need to seek an alternative lender and/or raise additional equity

Debt funding will be secured against the Property, with no recourse to investors. A default under the loan documents may lead to the financier exercising its security and selling the Property for a price lower than that which might have been achieved in normal circumstances. This may have a negative impact on the performance of the Trust and potentially a loss of capital.

Interest rate risk

The Trust will be exposed to interest rate movements on any variable rate borrowings that it has. Increases in interest rates could have the effect of reducing the availability or increasing the cost of finance for the Trust.

General Economic Risks

These relate to the overall risk of a broad range of investments. The returns on all commercial investments are affected by various economic factors including changes in interest rates, exchange rates, inflation and the general state of the economy.

Regulation and Taxation risks

Changes in Federal and/or State government policy or legislation, may adversely affect the Trust or Investors. The effects of tax may vary depending on the status of Investors, but may affect the accessibility of income, the deductibility of expenses, and the treatment of Trust income or impose additional expenses on the Fund.

Additional Information

MATERIAL CONTRACTS

The following is a summary of documents significant or material to the Fund and its activities. This section only contains a summary, which means that all the provisions of each material document are not fully described. Copies of material documents (subject to excluding confidential commercial terms) may be requested from Peak Equities Pty Ltd. (Peak)

i. Land Purchase Contract

Peak and the Vendors of the property have executed a Terms Sheet which will form the basis of the Land Purchase Contract. The Contract will be executed by Peak after the satisfactory completion of our Due Diligence investigations.

ii. The Trust Deed

The Trust Deed of the Noarlunga Unit Trust is dated 24 October 2016, with Peak Equities Pty Ltd as trustee and Initial Unitholders being TP & N Borsky, holding 200 Special CG Units and Arrabri Nominees Pty Ltd, as trustee for the Borsky Family Trust holding 200 Founder Units. The entitlements attaching to the Founder Units and Special CG Units are set out in the Schedule to the Trust Deed as follows:

A Founder Unit shall confer upon the holder thereof the right in common with the holders of all other Founder Units, to receive 4% of the Income of the Trust Fund arising during each Accounting Period; on termination of the trusts created by this Deed, the right in common with the holders of all other Founder Units, to receive 4% of the Trust Fund; on a distribution of capital, the right in common with the holders of all other Founder Units, to receive 4% of the capital distributed; the right to vote at any meeting of Unitholders. Founder Units will be issued at \$1.00 per Unit.

Special CG Units

Special CG Unit holders do not have an entitlement to distributions of either the income or the capital of the Trust Fund; and Special CG Unit holders shall be entitled to receive 20% of all capital, prior to any distributions to Ordinary Unit holders, Founder Unit holders or other Special Class Unit holders. Special CG Units will be issued at \$1.00 per Unit.

iii. The Unitholders Deed

The Unitholders Deed was executed by the Trustee and the Initial Unitholders on 26 October 2016. The Unitholders Deed should be read in conjunction with the Trust Deed, and sets out the rights and obligations of Unitholders and the Trustee. New Unitholders (Trust investors) will be required to execute a Deed of Accession, whereby they agree to be bound by the terms of the Trust Deed and the Unitholders Deed. The Deed of Accession and a copy of the Unitholders Deed will be provided to intending Unitholders prior to the confirmation of their investment.

iv. The Management Deed

The Trustee has appointed Peak Equities Management Pty Ltd (PEM) to manage the affairs of the Trust, including the purchase of the trust property, day-to-day management of the property; attendance to all Unitholder communications; trust accounting; compliance with all statutory obligations and requirements; and the eventual sale of the trust property. Details of the Manager's remuneration are set out in the body of this Investment Memorandum. Full details of the Manager's rights and responsibilities are set out in the Management deed, dated 26 October 2016. A copy of the Unitholders Deed will be provided to intending Unitholders prior to the confirmation of their investment.

DISCLOSURE OF INTERESTS

Investors are made aware that the Directors and other officers of Peak Equities Pty Ltd are directors, shareholders and beneficiaries in the below listed entities which are the subject of commercial relationships with the Trust:

- a. **Peak Equities Management Pty Ltd** (Manager of the Trust acting as trustee for the PE Unit Trust). PEM is associated with Tom Borsky, a director of Peak.
- b. **Arrabri Nominees Pty Ltd** (initial holder of Founder Units as trustee for the Borsky Family Trust). Arrabri Nominees Pty Ltd is associated with Tom Borsky, a director of Peak.
- c. **TP&N Borsky** (holders of Special CG Units as trustees for the T&N Borsky Superannuation Fund).
- d. **Killila Property Group Pty Ltd** (intended holder of Founder Units and Capital Units as trustee for the Killila Discretionary Trust). Killila Property Group is associated with Mr James Weaver, as director of Peak.
- e. **Magree Family Super Pty Ltd** acting as trustee for the Magree Family Superannuation Fund. Mr Dan Magree is a member of the Peak Equities Advisory Board and is a Responsible Officer pursuant to Peak's AFS Licence. Mr Magree is also a director of m3property Pty Ltd, which may receive valuation and consulting fees from the Trust.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF) requires entities such as Peak to maintain a program that identifies, mitigates and manages money laundering and terrorism financing risks associated with its business.

In this regard, Peak may request investors to provide additional information for identification and verification purposes. Please note that the Trustee may not accept an Application to invest in the Fund until it is satisfied that the identity of the Investor has been verified in accordance with the requirements of the AML/CTF.

If you do not provide a completed Application Form, this may delay the processing of your Application or result in your Application being returned.

PRIVACY PROVISIONS

Peak Equities Pty Ltd is committed to the protection of your personal information in accordance with the Australian Privacy Principles set out in the Privacy Act 1988.

All personal information held by Peak Equities will be governed by Peak's most recent Privacy Policy. This Privacy Policy applies to the collection, use and disclosure of personal information. We collect your personal information for the purpose of providing its property acquisition and funds management services. The information will not be made available to third parties other than required by our privacy policy and applicable law and to service providers necessary for us to conduct our business activities. If we cannot collect personal information from you, we may not be able to perform the activities listed above.

The personal information collected from you on the Application Form is used to evaluate your Application for Units in this Trust as well as to issue Units, service your needs as a Unitholder and administer the Trust. This includes information that Peak Equities Pty Ltd must pass on to Peak Equities Management Pty Ltd, and other service providers. The personal information you provide is kept for record keeping purposes. If you do not provide the necessary personal information, your Application may not be processed. Once personal information is no longer needed for the Fund and APD records, it is destroyed or de-identified. Your personal information may be disclosed overseas.

Unitholders have a right to access the information about them held by Peak and to correct any errors as set out in our Privacy Policy. Please advise us of any information that appears inaccurate or incomplete (especially your address and adviser details). You can call Peak on +61 (03) 9863 8380 or write to Peak at the address listed below to access the information held about you held by Peak. If you have any complaint in relation to the manner in which your information has been handled, please contact us.

As well as reporting to you on your investment, Peak or PEM may use your contact details to let you know about future investment opportunities offered by Peak. If you prefer not to receive these communications, please telephone or write to Peak.

If obliged to do so by law, Peak will pass on your personal information to other parties such as the Australian Taxation Office and other regulatory bodies, strictly in accordance with legal requirements.

COMPLAINTS AND CONTACTING US

Peak seeks to resolve potential and actual complaints over the management of the Trust to the satisfaction of Unitholders. If a Unitholder wishes to discuss any aspect of the management of the Trust or wishes to lodge a formal complaint, they may do so in writing, by email or by telephone at:

**David Borsky –
Asset Manager and Compliance Officer
Peak Equities Pty Ltd**
Suite 942, 1 Queens Road
Melbourne VIC 3004
Telephone: 03 9863 838
Email: david@peakequities.com.au

Peak will promptly acknowledge any complaint received from a Unitholder, investigate it, and decide in a timely manner any action that needs to be taken.



PEAK EQUITIES

Peak Equities Pty Ltd

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