

CPDDF Special Resolution Information Session for Noteholders

Presenters



Jarrad Haynes
Managing Director



Andrew Rutherford
Chair



Michael Fazzini
Executive, Sales and Distribution

Governance

Special Resolution



Background

As you may be aware, as manager of the Fund has been in a transition phase between its existing notes program issued from CPDDF and a new Notes product which it is preparing to launch from a new product called the CP Note Trust which will invest in CP Property Capital Fund (**CPPCF**).

Through this transition, CPDDF has not been available for new investment and the Board of the Manager has now determined that the existing CPDDF Notes product is no longer suited to current market conditions and should undertake an orderly realisation of the assets.

The key reasons why we consider these Notes are no longer suitable for the market include:

- Limited flexibility in the Note structure, which constrains the Manager's ability to scale and utilise product features available to other Notes on the market (such as back leverage) to generate consistent income returns to Noteholders in a more volatile macro environment;
- The Notes have some operational inefficiencies due to features like daily applications, variable maturity dates and interest rates; and
- The challenge of the Notes not being tax effective for offshore capital so are limited to domestic investors – which again, poses limitations on the Fund's scalability.

The challenges with the current Fund structure have been coupled with market volatility we are currently facing and have faced over the past few years. This is a combination of oil price volatility, the re-emergence of significant consumer inflation, very significant labour cost rises, the resultant increase in interest rates and the most significant changes in taxes on investors in decades - all represent sources of uncertainty that go beyond expected as recently as only three months ago. We have already seen the impacts of these factors play out across the private credit and property markets as reported in recent media announcements. Given this backdrop it is critical that the Manager takes a prudent approach as to how we manage the orderly realisation of the asset pool within CPDDF.

Special Resolution



Noteholder Vote 75% Required

In order to implement some of these election options, a Special Resolution of the Noteholders is required (**Resolution**). By voting for the Resolution and selecting one of the three options presented, we believe this will allow an orderly realisation of assets and maximise overall returns to Noteholders as a whole. If Noteholders do not support the Resolution, we believe the risk of compromise to the value available to all Noteholders may significantly increase over time.

Option A

Redeem and receive liquidity

Receive your capital back at a discounted redemption price. This option provides near term liquidity and certainty of exit at a price that is reflective of the current stage of the underlying property development assets reflecting the material uncertainty as to the future realisable net value of all assets currently in the portfolio, over time. The discounted redemption price is set at 90% of the current Face Value of your Notes (excluding any unpaid accrued interest) as at the date of this document. Noteholders electing this option accept this amount in full satisfaction of their Notes.

Option B

Rollover to CPPCF

Roll over your interest into the new CPPCF structure at Current Value. This option allows you to stay invested and participate in any future value uplift as the underlying property assets mature, as well as allowing the Manager to undertake new investments to improve returns to Noteholders. CPPCF offers a more modern, flexible structure with access to investments across the Capital Prudential platform.

No Election

Remain in CPDDF

If you do not attend the Meeting in person or by proxy, you will remain in CPDDF and your Notes will be redeemed at the end of their Term at the then-current value. Please note: the payments you receive will depend on proceeds from the underlying assets, which is highly likely to be less than the Face Value and accrued interest on your Notes.

Developments



Residential

Rose Park, SA



95% Built

Industrial

Wacol, QLD



100% Built

Commercial

Athelstone, SA



100% Built

Developments



Residential

Alderley, QLD



100% Built

Commercial

St Albans, VIC



100% Built

New Notes Structure



Investment Strategy

The Note Trust seeks to gain exposure to primarily mid-scale commercial, industrial and residential property investments across Australia. The Note Trust may invest either directly or indirectly (via a Sub-Trust or other investment vehicles) in some or all of the following underlying assets (**Underlying Investments**):

- The PC Fund and other CP Managed Funds (noting that the primary investment of the Note Trust is expected to be in units in the PC Fund);
- Project SPVs, which are special purpose vehicles each established to either own, or lend to, for the purpose of developing real estate property. Investment in the Project SPVs may be by way of equity, hybrid or debt investments; and
- Cash deposited with an Australian Bank or cash equivalents.

The Note Trust aims to achieve sustained success through the Investment Manager's disciplined approach to selecting each underlying asset of the PC Fund for origination, coupled with active management of and the maintenance of financial controls, due diligence processes, and ongoing portfolio monitoring to support long-term value creation.

Disclaimers



DISCLAIMER: This information has been prepared and issued by Capital Prudential Manager Pty Ltd (ACN 660 087 847)(CPM), a corporate authorised representative 001 298 438 of Capital Prudential Funds Management Pty Ltd (ACN 636 279 082, AFSL 524725) (**CPFM**) and is intended for use only by Wholesale Clients pursuant to section 761G(7) or 761GA of the Corporations Act 2001 (Cth) (Corporations Act). This information is not intended for any person who is a retail client within the meaning of section 761G or 761GA of the Corporations Act.

Capital Prudential Diversified Development Fund Pty Ltd (ACN 636 282 219) (**CPDDF**), a corporate authorised representative 001 278 667 of CPFM, is the trustee of, and issuer of securities in, the Capital Prudential Diversified Development Fund.

CP Rep 1 Pty Ltd (ACN 690 909 187) (**CPR1**), a corporate authorised representative 001 317 424 of CPFM, is the trustee and issuer of units in CP Industrial Value Add Fund I.

Evolution Trustees Limited (ACN 611 839 519; AFSL 486217) (**ETL**) is trustee and issuer of securities in, the CP Note Trust.

The Trust Company (RE Services) Limited (ACN 003 278 831; AFSL 235 150) (**TTCRESL**) is the trustee and issuer of units in:

- Capital Prudential Real Estate Master Trust;
- Capital Prudential Development Equity Funds I, II and III.

CPM is the investment manager of the Capital Prudential Diversified Development Fund, CP Industrial Value Add Fund I, CP Note Trust, Capital Prudential Real Estate Master Trust and Capital Prudential Development Equity Funds I, II and III.

This information is general only and is not personal advice. It has been prepared without taking into account your objectives, financial situation or needs. If you require financial advice that takes into account your personal objectives, financial situation or needs, consult your financial adviser. You should consider the relevant Information Memorandum available by visiting our website <https://cappru.com.au/>, prior to making any investment decisions.

Neither CPM, CPDDF, CPFM, CPR1, ETL, TTCRESL, their employees or directors, or any of their related parties (including Perpetual Limited ABN 86 000 431 827 and its subsidiaries, and Capital Prudential Pty Ltd ABN 63 634 875 273 and its subsidiaries) provide any warranty of accuracy, completeness or reliability in relation to the information contained herein or accept any liability to any person who relies on it.

Any opinions, forecasts, estimates or projections reflect judgments of CPM as at the date of this publication and are subject to change without notice. Rates of return cannot be guaranteed and any forecasts, estimates or projections as to future returns should not be relied on, as they are based on assumptions which may or may not ultimately be correct. Actual returns could differ significantly from any forecasts, estimates or projections provided. **Past performance is not a reliable indicator of future performance.**

This information is current only as at the date indicated and may be superseded by subsequent market events or for other reasons. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. **All investments contain risk and may lose value.**



cappru.com.au