Core Property
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Unlisted Property Trust Report

Elanor Property Income Fund

February 2023

Open ended property fund targeting a distribution yield of 5.5% - 6.0% p.a.

Elanor Property Income Fund

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.

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Elanor Property Income Fund

February 2023

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

The Elanor Property Income Fund ("the Fund") is an open-ended unlisted property fund that invests in a diversified portfolio of properties in Australia and New Zealand. The Investment Manager, Elanor Funds Management Limited ("the Manager") is a subsidiary of Elanor Investors Group (ASX: ENN), an established Australian real estate fund manager with $2.9B of funds under management.

The Fund targets a monthly income stream to investors with the potential for capital growth by investing in a diversified portfolio of properties in Australia and New Zealand. The Fund has a target allocation to invest in the Retail and Office properties (with each having a 20-50% target allocation) as well as Industrial and Social Infrastructure assets (each with a 0-25% target allocation).

The Fund is open-ended and investors can purchase units on a monthly basis, with the Entry Price based on the Net Asset Value of the Fund.

The Fund was established in November 2022 through the delisting of the Elanor Retail Property Fund from the ASX. The initial portfolio consists of 4 retail properties valued at $108.0M. The properties are located in central locations within the regional towns of Taree NSW, Gladstone and Bundaberg North, QLD and Glenorchy TAS. The properties are anchored by key retailers Big W, Coles, Target, Woolworths and IGA which account for 65% of the area and 45% of the income. Key metrics of the portfolio include a 94.2% occupancy and weighted average lease expiry of 3.6 years.

The retail properties account for 91.6% of the portfolio. The Fund also has a 6.5% exposure to the office sector through investments in two property funds also managed by Elanor – the unlisted Elanor Harris Street Fund and the ASX-listed Elanor Commercial Property Fund (ASX: ECF). A further 1.9% is held in cash.

The Fund is targeting to deliver a distribution yield of 5.5% - 6.0% p.a. Distributions are paid monthly and the Fund has paid distributions equivalent to a yield of 6.1% p.a. (pro rata) since inception.

The Manager is targeting the Fund to deliver an Internal Rate of Return (IRR) of 10% p.a. In order to do so, the Manager is targeting capital growth through active leasing, asset management and value add-opportunities. As the Fund is open-ended, investors should expect their returns to be dependent on entry and exit prices and any changes to the investment portfolio.

The Fund's debt facility currently has a Loan to Value Ratio (LVR) of 38.6% on the direct properties, which is below the bank LVR covenant of 50%. The Fund has a target gearing of 25% - 45% for the portfolio on a look through basis.

Core Property considers the fees charged by the Fund to be appropriate for the Fund. The Fund has a quarterly withdrawal facility (for 5% of the units on issue) with a full liquidity for investors every five years (with the first to be offered in December 2027).

Core Property considers the Fund will appeal to investors who seek a monthly income distribution supported by a portfolio of properties with established anchor tenants. Investors should expect the portfolio metrics to change as the Manager seeks to diversify the Fund, with a focus on maintaining a monthly distribution. Investors should also expect the Manager's target distribution and returns to change over time to reflect changes in unit prices and investment metrics.

This report should be read in conjunction with the Target Market Determination provided by the Manager, as required by s994B of the Corporations Act 2001.

Fund Details	
Offer Open:	Open
Offer Close:	No close date
Min. Investment:	$10,000
Unit Entry Price:	$0.8587 per unit as at 31 January 2023
Net Tangible Asset per unit:	$0.8587 per unit as at 31 January 2023
Liquidity:	Quarterly (Limited) and 5 yearly (Full)[1]
Forecast Distributions:	FY23: 2.61 cpu (6mths) (or 6.0% yield on current price)
Distribution Frequency:	Monthly
Recommended Investment Period:	Up to 5 years

Note 1: Quarterly liquidity facility is subject to 5% of the Fund's securities on issue per quarter (or 20% p.a.). Full liquidity is offered every 5-years, with the first to be offered in December 2027.

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Fund – Website

www.elanorinvestors.com/epif/

This report is based on the Elanor Property Income Fund Product Disclosure Statement dated 8 November 2022, together with other information provided by Elanor Investors Group.

Key Considerations

Management: The Responsible Entity and Manager, Elanor Funds Management Limited, is a wholly owned subsidiary of Elanor Investors Group (ASX: ENN), an ASX-listed fund manager established in 2014 with $2.9 billion of assets under management. The Manager owns 24.7% of units in the Fund, providing an alignment of interests with investors.

Fund Structure: The Fund is open-ended and investors may purchase units on a monthly basis. The Fund was established as an unlisted property fund in November 2022 through the delisting of the Elanor Retail Property Fund.

Unit Pricing: The Entry Price is based on the Unit Price at the end of the month (with a Nil Buy Spread). The Redemption Price (for quarterly and five-yearly liquidity events) is based on the Unit Price less a 2% Sell Spread.

Fund Strategy: The Fund aims to provide a monthly income for investors with the potential for capital growth by investing in a diversified portfolio of properties in Australia and New Zealand. The Fund has a long-term asset allocation to invest 80-90% of the portfolio in direct properties and property funds, and 10-20% in ASX-listed property securities, liquid investments and cash. The Fund also seeks to diversify across the property sectors of Retail (20-50%), Office (20-50%), Social Infrastructure (0-25%) and Industrial (0-25%).

Investment Portfolio: The Fund was established with a seed portfolio of 4 retail shopping properties which are currently valued at $108.0M. The properties are in central locations in regional areas with key anchor tenants Big W, Coles, Target, Woolworths and IGA representing 65% of the gross lettable area and 45% of the income. The portfolio occupancy is 94.2% with a weighted average lease expiry (WALE) of 3.6 years. The properties represent 91.6% of the investment portfolio, with the Manager intending to diversify the portfolio over time to provide exposure to other property sectors. The Fund also invests 6.5% of its portfolio in funds also managed by Elanor – the unlisted Elanor Harris Street Fund and the ASX-listed Elanor Commercial Property Fund (ASX: ECF). A further 1.9% is currently held in cash to support liquidity requirements.

Debt Profile: The Fund has an existing debt facility for the direct properties with a Loan To Value Ratio (LVR) of 38.6% against a bank covenant of 50%. Portfolio gearing is 34.6%, which is at the mid-point of the Fund's target gearing range of 25% - 45%.

Distributions: The Manager is targeting a distribution yield of 5.5% - 6.0% p.a. in FY23 based on the current unit price. As an open-ended fund, investors should expect the distribution yield may change based on the prevailing unit price.

Fees: Core Property considers the fees charged by the Fund to be appropriate for the Fund.

Total returns: The Manager is targeting an Internal Rate of Return (IRR) of 10% p.a. Investors should expect the target IRR may change over time, based on the prevailing unit price. As the Fund is open-ended, investors should be aware that total returns will be driven by the timing of their entry and exit prices as well as the changes in the performance of the portfolio.

Liquidity: The Fund offers a quarterly Withdrawal Facility of up to 5.0% of the Fund's securities on issue each quarter, or 20% p.a. Full liquidity is offered to all investors every 5 years, with the first full liquidity being offered in December 2027.

Related Party Transactions: The Manager has advised that the Fund is in compliance with Elanor Group policies for Conflicts of Interests and Related Party transactions. In particular, the Fund was established through the delisting of the Elanor Retail Property Fund with the properties being transferred based on the prevailing independent valuations in November 2022. The Fund also invests in the unlisted fund, the Elanor Harris Street Fund and the listed fund, the Elanor Commercial Property Fund (ASX: ECF), which are also managed by Elanor.

Investment Scorecard

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

Key Metrics

Fund Structure
An unlisted property fund that seeks to invest in a diversified portfolio of properties in Australia and New Zealand.

Management
Elanor Investors Group (ASX: ENN) is a specialist real estate fund manager with $2.9B of funds under management. Elanor focusses on delivering value through a combination of strong cashflows and value-add projects to deliver capital growth for investors.

Target Portfolio

Asset Allocation

	Direct Property & Funds	Liquid Investments (ASX listed, Cash)
Target Allocation	80-90%	10-20%
Actual Allocation	96.5%	3.5%

Sector Allocation

	Retail	Office	Social Infrastructure	Industrial	Cash
Target Allocation	20-50%	20-50%	0-25%	0-25%	
Actual Allocation	91.6%	6.6%	0%	0%	1.9%

Portfolio Holdings

31 Dec 2022	Retail	Office	Social Infrastructure	Industrial	Cash
	4 properties	2 funds (ECF, EHSF)			
Value	$108.0M	$7.7M	-	-	$2.2M
Location	NSW, QLD, TAS	NSW, ACT, QLD, WA, SA	-	-	-
Key Tenants	Big W, Coles, Target, Woolworths	CIMIC, Accor, Thompson Reuters	-	-	-
Occupancy	94.2%	ECF 95.6% EHSF 95%	-	-	-
WALE	3.6 yrs	ECF 3.4 yrs EHSF 2.5 yrs	-	-	-

ECF = Elanor Commercial Fund (ASX: ECF), EHSF = Elanor Harris Street Fund

Return Profile

Forecast Distribution:	6 months to June 2023: 2.66 cpu (6.1% yield)
Distribution Frequency:	Monthly
Tax advantage:	Distributions expected to be tax deferred (est. 10%).
Estimated Levered IRR (pre-tax, net of fees):	Total returns will depend on the timing of an investor's entry and exit price and the investment performance of the portfolio over time.
Investment Period:	5 years (Recommended)

Risk Profile

Property/Market Risk:	Capital at risk will depend on a portfolio of properties in Australia. Investors will be exposed to a potential capital gain or loss, based on market conditions. As an open-ended fund the properties in the portfolio are expected to change over time.
Interest Rate Movements:	Any change in the cost of borrowings may impact the distributable income in the remaining term of the Fund.
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 Risks" section of the Product Disclosure Statement.

Fees Paid

Entry Fees:	Nil
Exit Fees:	Nil
Buy/Sell Spread:	Buy Spread: Nil Sell Spread: 2% of unit price
Acquisition Fee:	Up to 1.54% of purchase price.
Management Fees:	Management Fee: 0.65% p.a. of the Gross Asset Value (GAV) of the Fund Expenses: estimated at 0.40% p.a. of GAV
Disposal Fee:	Up to 1.54% of the Sale Price of the Property
Performance Fee:	20% of the outperformance over a benchmark of 8.0% p.a.

Debt Metrics – Direct Properties

Drawn Debt / Facility Limit:	$41.7M / $48.3M
Loan Period:	3 years to May 2024
Initial LVR / LVR Covenant:	38.6% / 50.0%
ICR / ICR Covenant:	3.5x / 1.75x

Legal

Product Name:	Elanor Property Income Fund
APIR Code:	ELA5755AU
Offer Document:	Product Disclosure Statement dated 8 November 2022
Wrapper:	Unlisted Property Fund
Responsible Entity:	Elanor Funds Management Limited (ABN 39 125 903 031, AFSL 398196)
Manager:	Elanor Asset Services Pty Limited (ABN 83 614 679 622)

Fund Overview

The Fund is an open-ended property fund that seeks to invest in a diversified portfolio of properties in Australia and New Zealand. The Fund is managed by Elanor Funds Management Limited ("the Manager") which is a wholly owned subsidiary of Elanor Investors Group (ASX: ENN), an ASX-listed real estate fund manager with over $2.9 billion of assets under management.

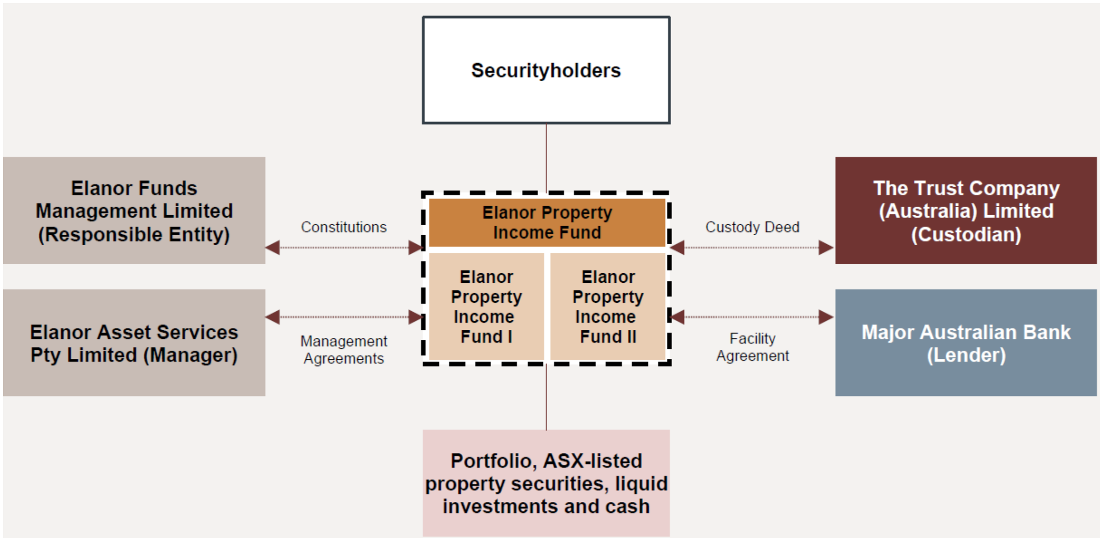
The Fund seeks to provide a monthly distribution income for investors, with the Manager currently targeting a distribution yield of 5.5% - 6.0% p.a. Distributions are supported by investing in a diversified portfolio of properties across Australia and New Zealand.

The Fund is open-ended, and investors may purchase units on a monthly basis, based on the Net Asset Value at the end of the month. The current entry price is $0.8587 per unit (as at 31 January 2023). Since inception, the Fund has paid monthly distributions equivalent to a yield of 6.1% p.a. (pro rata), which is at the high end of the Manager's current target range.

The Fund was established on 4 November 2022 through the delisting of the Elanor Retail Property Fund. The Fund's initial seed assets include 4 properties that were part of the Elanor Retail Property Fund. The Fund is a stapled structure with every 1 unit in the Fund having ownership of 1 unit in each of the underlying funds which own the assets (the Elanor Property Income Fund I and Elanor Property Income Fund II).

The Manager has a target investment allocation for the Fund as well as a target IRR of 10% p.a. The Fund's financial targets are expected to be updated periodically to take into account unit price changes as well as portfolio changes.

Figure 1: Fund structure



Source: Elanor

Fund strategy

The Fund aims to provide monthly income for investors with the potential for capital growth by investing in a diversified portfolio of properties across Australia and New Zealand. The investment strategy focusses on delivering a stable monthly income based on:

- Investing in a range of properties to provide diversification by property, sector, geography and tenancy.
- Targeting stabilised real estate assets that are competitively located and generate predictable, recurring cashflows.
- Investing in real estate assets directly and indirectly through other property funds. The Manager anticipates that it will invest in other external investment funds in addition to Elanor managed funds.
- To assist with liquidity, the fund will invest in listed property securities, liquid investments and cash.
- **Asset Allocation:** The Fund has a target to invest of 80% - 90% of the portfolio in Direct Property and Property Funds, and 10% - 20% in ASX-listed property securities, liquid investments and cash.
- **Sector Allocation:** The Manager intends the portfolio to be diversified across the following sectors over the long term:
  - Retail: 20% - 50%
  - Office: 20% - 50%
  - Social Infrastructure: 0% - 25%
  - Industrial: 0% - 25%.

- The target asset allocation and sector allocations are indicative only and the actual composition of the Fund may differ at any point in time. The Manager may also change the allocations levels if it believes it is in the best interests of securityholders.
- **Concentrations:** The Manager targets that an investment in any single asset will be no more than 35% of the Gross Asset Value (GAV) of the Fund. The total exposure to assets in New Zealand will be limited to a maximum of 20% of the GAV.
- **Development Exposure:** The Manager does not intend to undertake significant development of properties within the Fund. However from time to time the Manager may identify limited refurbishment and redevelopment opportunities to maintain existing tenants or attract new tenants. In such cases the Manager will seek to mitigate development risks through fixed price contracts and seeking precommitments for leases.

Unit pricing

The Fund is open-ended and issues new units to investors on a monthly basis. The unit price is calculated based on a cut off time of 5pm on the last business day of the month and published on the Fund website.

Core Property has reviewed the Fund's pricing policy and considers it to be appropriate for the Fund.

- The Unit Price is determined by the prevailing Net Asset Value (NAV) of the Fund plus an adjustment for amortised establishment and acquisition costs. Costs are amortised costs over a five-year period. As at 31 January 2023, the Unit Price and Net Asset Value is $0.8587 per unit, and all acquisition costs have been fully amortised.
- The Application Price is based on the Net Asset Value plus a Buy Spread. The current Buy Spread is Nil. As at 31 January 2023 the Application Price is $0.8587 per unit.

The Fund offers a Distribution Reinvestment Plan (DRP) for investors wishing to receive their distributions by way of additional units in the Fund.

Liquidity / exit strategy

The Fund is open-ended and offers liquidity to investors via two withdrawal options:

1) A Limited Quarterly Withdrawal Facility: The Fund provides investors the opportunity to submit a withdrawal for some or all of their investment on a quarterly basis, in March, June, September and December. The withdrawal amount is subject to the available liquidity of the Fund and is capped at 5% of the issued securities per quarter, or 20% of the issued securities per annum. If the total withdrawal requests exceed the amount that is offered, then withdrawals may be scaled back during the period and a new withdrawal request will be required in the following quarter. Withdrawal requests are generally satisfied from the Fund's liquid assets. The Limited Quarterly Withdrawal Facility will not operate in periods where a five-year full liquidity event is offered.
2) At the end of each five-year term: The Fund has five-year rolling investment terms, with the Initial Term of the Fund ending 31 December 2027. At the end of every five-year term the Manager intends to offer a full liquidity event for investors who wish to redeem all or part of their investment. If withdrawal requests are received for more than 50% of the issued securities, the RE may wind up the Fund.

Investors should be aware the Fund may suspend or cancel a withdrawal opportunity under certain circumstances. For example, where the Fund has insufficient liquid reserves to satisfy withdrawal requests, if the withdrawal requests would compromise the operation of the Fund, if it is impracticable or impossible to calculate the withdrawal price, or where the Manager determines it is in the best interests of all Investors. Core Property considers the suspension or cancellation of a withdrawal facility to be appropriate and commonplace for open-ended funds in such circumstances.

The Withdrawal Price for all liquidity events is determined by the applicable Net Tangible Asset per unit of the Fund adjusted for a Sell Spread to reflect transaction costs. The current Sell Spread is 2%.

The Investment Portfolio

The Fund was established in November 2022 and currently has an investment portfolio of $118.0M, investing in direct property assets, listed and unlisted property funds, as well as cash.

- **Direct Property & Property Funds:** The Fund has a target allocation to invest 80% - 90% of the portfolio in directly owned properties and property funds. Currently the Fund has a higher weighting of 96.5% in direct properties and property funds, with a book value of $118.0M.
    - The direct portfolio has an average occupancy of 94.2% and a WALE of 3.6 years (by income).
    - The direct property portfolio is fully invested in the retail sector as the seed properties of the Fund. The Manager intends that further acquisitions will allow the Fund to diversify the portfolio in to the Office, Industrial and Social Infrastructure sectors.
    - The Manager has advised that, as at 31 December 2022, it currently invests $5.8M, or 5.0% of the portfolio in the related Elanor Harris Street Fund, which is also managed by Elanor. The units were acquired from Elanor Investors Group (ASX: ENN) and the Fund has a put option which allows it to sell the units back to Elanor Investors at the prevailing unit price. Effectively, the put option provides full liquidity for the units in the Harris Street Fund.
- **Liquid Investments (Listed Property, Cash):** The Fund has a target allocation to invest 10% - 20% of the portfolio in liquid investments. Currently, the Fund has 3.5% in Liquid Investments, however this increases to 8.5% with the inclusion of the units in the Harris Street Fund given the put option provision.

The following table is a summary of the Fund's metrics as at 31 December 2022.

Figure 2: Property portfolio – as at 31 December 2022

Address	Sector	Gross Lettable Area (sqm)	Book Value	Portfolio Weight	Last Valn Date	Cap Rate	Occ	WALE (by income)
Manning Mall, 81 Manning St, Taree NSW	Retail	10,742	$37.5M	31.8%	Dec 22	7.25%	94.8%	1.8 years
Gladstone Square Shopping Centre, 189 Goondoon St, Gladstone Central QLD	Retail	6,842	$30.8M	26.1%	Dec 22	7.00%	83.4%	7.7 years
Glenorchy Plaza, 2 Cooper St, Glenorchy TAS	Retail	8,726	$20.1M	17.0%	Dec 22	7.25%	100.0%	2.4 years
Northway Plaza, 29 Queen St, Bundaberg North, QLD	Retail	4,048	$19.6M	16.6%	Dec 22	7.00%	98.1%	4.1 years
Total Direct Property		**30,358**	**$108.0M**	**91.6%**		**7.13%**	**94.2%**	**3.6 years**
Unlisted Property Funds – Elanor Harris St Fund	Office		$5.8M	5.0%				
Direct Property & Property Funds			**$113.8M**	**96.5%**				
Listed Property Funds – Elanor Commercial Property Fund (ASX: ECF)	Office		$1.9M	1.6%				
Cash at Bank	Cash		$2.2M	1.9%				
Total Investment Portfolio			**$117.9M**	**100%**				

Source: Elanor

Direct Properties – 91.6% of portfolio

Manning Mall, 81 Manning St, Taree NSW (31.8% of portfolio) is single level sub-regional shopping centre located in the regional town of Taree, approximately 83km south of Port Macquarie and 312km north of Sydney. Constructed in the 1980s, the property is centrally located in the CBD of Taree, with Gross Lettable Area of 10,742sqm and is anchored by a Coles supermarket (33.8% of GLA) and Target discount department store (31.7% of GLA), with 29 specialties, 4 kiosks, 3 ATMS and 417 car spaces. The property sits on a 2.9 ha site, providing the potential for the development of pad sites.

Gladstone Square, 189 Goondoon St, Gladstone Central QLD (26.1% of portfolio) is a open air single level neighbourhood shopping centre, in Gladstone approximately 512kms northwest of Brisbane. Constructed in the 1970s, the property has a Gross Lettable Area of 6,842sqm and is anchored by a Woolworths supermarket (46.4% of GLA), two mini-majors (Chemist Warehouse, The Reject Shop), 25 specialty stores, an ATM and 302 car spaces. The centre has a focus on non-discretionary services, food and catering. The centre was acquired by Elanor in 2016 with a new 20-year lease to Woolworths, with 4x5 year options.

Glenorchy Plaza, 2 Cooper St, Glenorchy TAS (17.0% of portfolio) is a two-level modern sub-regional retail complex located in Glenorchy, approximately 8km northwest of Hobart TAS. Constructed in 2005, with 8,726 sqm of GLA, the centre is anchored by a Big W discount department store (78.8% of GLA) with 14 specialty tenancies. The centre is located adjacent to the Woolworths anchored Glenorchy Central which works to drive foot traffic between the two centres.

Northway Plaza, 29 Queen St, Bundaberg North, QLD (16.6% of portfolio) is a single-level neighbourhood retail centre located in Bundaberg North, QLD. The centre is approximately 1.6km north of the Bundaberg CBD and approximately 361km northwest of Brisbane. Situated on a 23,990sqm site, the centre provides 4,048 sqm of gross lettable area anchored by a full-line Supa IGA supermarket (64.9% of GLA), 11 specialties and 241 car spaces. The property includes vacant land of approximately 5,000 sqm across three pad sites, providing potential for development.

Source: Elanor Investors

Leases, tenants and income

The 4 properties in the direct portfolio have a Weighted Average Lease Expiry (WALE) of 3.6 years.

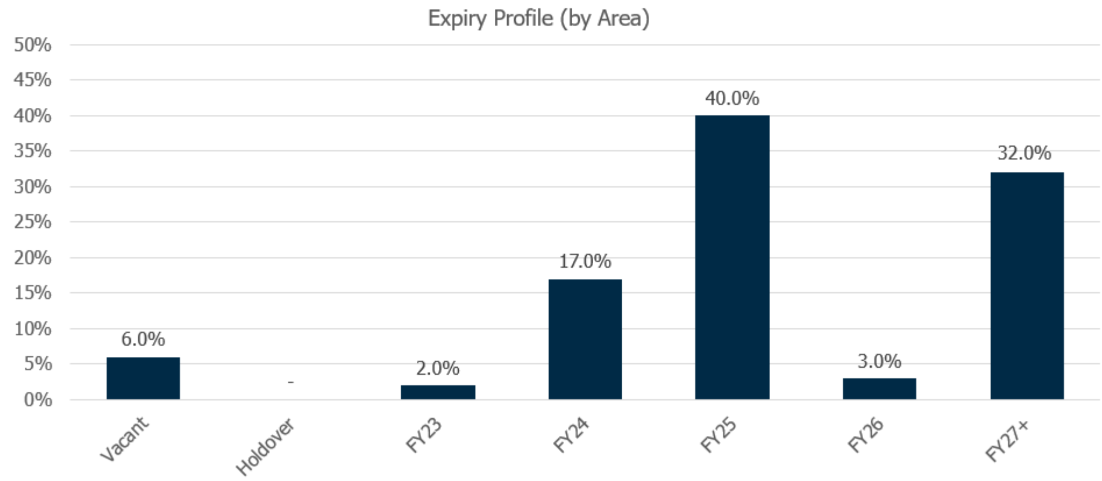
- The top 5 tenants account for 65% of the gross lettable area and 45% of the gross income of the direct properties.
  - The Top 5 tenants are the key anchor tenants across the 4 properties: Coles & Target occupy 65.5% of Manning Mall, Woolworths occupies 46.4% of Gladstone Shopping Centre, Big W occupies 78.8% of Glenorchy Plaza and IGA occupies 64.9% of Northway Plaza.
- Over 90% of income from the properties is derived from supermarkets and convenience-based retailed.
- The top 5 tenants are all trading Occupancy Levels in line or at the lower end of market ranges:
  - Coles, Manning Mall is trading with Moving Annual Turnover (MAT) in excess of $54M p.a., with occupancy costs of 2.6%, at the lower end of supermarket ranges of 2.5% - 3.5%.
  - Woolworths Gladstone Square is trading with MAT in excess of $38M, with occupancy costs of 2.6%, at the lower end of supermarket ranges of 2.5% -3.5%.
  - IGA Northway Plaza is trading with MAT in excess of $23M, with occupancy costs of 3.4% at the top end of supermarket ranges of 2.5% - 3.5%.
  - Big W Glenorchy Plaza is trading with MAT in excess of $25M, with occupancy costs of 4.3%.
  - Target Manning Mall is trading with MAT in excess of $5M, with occupancy costs of 6.5%.

Figure 3: Key Tenant Metrics

Tenant	GLA (sqm)	% of Property GLA	% of Portoflio GLA	Lease Period	Options	Gross Rental income	% of gross income	Occ Cost	Rent Review
Big W – Glenorchy Plaza	6,874	78.8%	22.6%	Jun 05 – Jun 25	4x5 yrs	$1.2M	10.9%	4.3%	% Rent
Coles - Manning Mall	3,636	33.8%	12.0%	Sep 09 – Sep 24	2x10 yrs	$1.4M	13.4%	2.6%	% Rent
Target – Manning Mall	3,408	31.7%	11.2%	Nov 18 – Nov 23	5 yrs	$0.4M	3.8%	6.5%	-
Woolworths – Gladstone	3,174	46.4%	10.5%	May 16 – May 36	4x5 yrs	$1.0M	9.2%	2.6%	% Rent
IGA – Northway Plaza	2,626	64.9%	8.7%	Nov 06 – Nov 26	2x5 yrs	$0.8M	7.7%	3.4%	3.0%
Top 5 Tenants	**19,718**		**65.0%**			**$4.8M**	**45.0%**		
Remaining Tenants	10,640		35.0%			$5.4M	55.0%		
Total Portfolio	**30,358**		**100%**			**$10.2M**	**100%**		

Source: Elanor

Figure 4: Lease Expiry Profile – Direct Properties



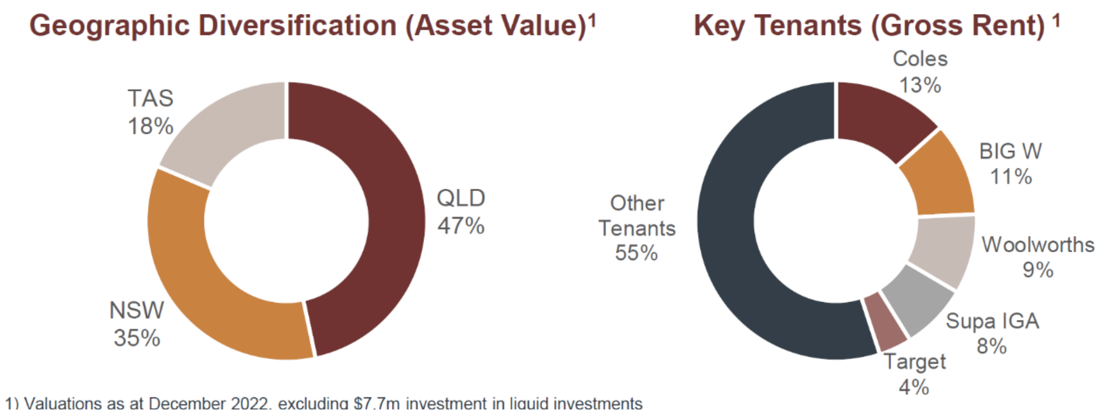
Source: Elanor

Diversification

The Fund's direct properties are all in the Retail Sector (100% of portfolio) as the initial portfolio of assets were established out of the Elanor Retail Property Fund. Over time, the Manager intends to diversify the portfolio to include office, industrial and social infrastructure assets.

The following table is a summary of the properties' geographic and tenancy mix.

Figure 5: Diversification metrics – Direct Properties - as at December 2022



Source: Elanor

Capex

The Manager is budgeting for around $3.0M of capital expenditure across the four properties in the FY23 period. The amount includes maintenance capex as well as tenant incentives. The amount is expected to be funded through existing cashflows as well as an additional $1.7M draw down of debt. Core Property estimates the additional debt to increase the LVR of the Fund to around 39.2% (from 38.6%), which remains below the bank LVR covenant of 50%.

Unlisted Property Funds – 5.0% of portfolio

The Fund holds 5.7M units in the Elanor Harris Street Fund, an unlisted property fund which is also managed by Elanor Funds Management. The investment is valued at $5.8M and represents 5.0% of the investment portfolio.

The Elanor Harris Street Fund is an unlisted property fund that invests in the office property located at 19 Harris Street, Pyrmont NSW. The Harris Street Fund has a targeted investment term of 7 years from March 2022 to March 2029 with targeted distributions of 5.2 – 6.0 cents per unit over the 7-year term. Based on the unit price, the investment is estimated to deliver a 5.0% yield during 2023.

The units were acquired from Elanor Investor Group in December 2022 at a price of $1.05 per unit, being the prevailing unit price at the date. The Fund also has a put option, which allows the Fund to sell the units back to Elanor Investors Group, based on the prevailing unit price. The put option effectively provides liquidity for the holding in the Harris Street Fund, which can be used to support the funds quarterly redemption facility if required.

Liquid Investments – Cash and Listed Securities – 3.5% of portfolio

The Fund has a target allocation to invest between 10% and 20% of the portfolio in liquid investments to provide liquidity for the Fund, whilst also providing a distribution yield and exposure to capital gains/losses.

- **Cash** – The Fund has $2.2M of cash at the bank as at 31 December 2022 (post distributions). This represents 1.9% of the investment portfolio.
- **Listed Securities** - The Fund holds 1.9M units in the Elanor Commercial Property Fund (ASX: ECF) which is an ASX-listed entity also managed by Elanor Funds Management. The investment is valued at $1.9M and represents 1.6% of the investment portfolio. ECF invests in a portfolio of 9 commercial office properties across Australia and is forecasting a distribution of 2.35 cents per unit for the December 2022 quarter. The units were purchased on-market in the ASX at a weighted average purchase price of price of $0.94 per unit, providing a 10.0% distribution yield in FY23.

- Liquid Investments total $4.1M, or 3.5% of the investment portfolio. Core Property estimates this to be able to support the redemption of around 5.3% of the securities on issue at December 2022. Additionally, if the units in the Elanor Harris Street Fund were to be realised, then this can support total redemption requests for around 13.0% of the securities on issue at December 2022.

Financial Analysis

Core Property has reviewed the Manager's financial forecast of the Fund, based on the current portfolio. The key assumptions in our forecasts are:

- Based on the existing portfolio as at December 2022, with no acquisitions factored in.
- The forecast includes recent improved leasing outcomes at the properties.
- The forecast is based on the number of securities on issue of 89.2M units, with redemptions of 5% of the units at the quarterly liquidity event.
- Based on the forecast, the Fund is expected to have sufficient earnings to support distributions of 2.61 cpu in the 6 months to 30 June 2023. This equates to a yield of 6.0% p.a. on the current unit price, in line with the Fund's current target of 5.5% - 6.0% p.a.

The forecasts should be seen as indicative only as the Fund is open-ended and the financial position is likely to change as new properties are acquired and new equity and debt is raised. Investors should note that:

- Distributions are likely to increase if the Fund acquires properties on higher yields, or if net rental income increases.
- Distributions are likely to reduce if the fund acquires properties on lower yields, or the Fund accepts new equity and has delays in deploying capital or is unable to deploy the capital to deliver sufficient returns.

Figure 6: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast $M	**FY23 6 months to June 2023**
Net Property Income	**3.6**
Distribution Income – Listed & Unlisted Funds	**0.2**
Net Operating Income	**3.9**
Net Interest Costs	-0.9
Management Fee	-0.4
Expenses	-0.2
Total Available for Distribution	**2.3**
Forecast Distribution	**2.3**
Forecast Distribution per unit (cpu)	**2.61 cpu**
Forecast Distribution Yield (% p.a.)	**6.0% p.a.**
Balance Sheet – $M	**31 December 2022 (unaudited)**
Cash	2.2
Property	108.0
Investments	7.7
Other Assets	2.8
Total Assets	**120.7**
Borrowings	41.7
Other Liabilities	2.1
Total Liabilities	**43.8**
Net Assets	**76.9**
Units on Issue	**89.2**
Net Tangible Assets per Unit – at 31 December 2022	**$0.8621**
Gearing Ratio (Debt/ Total assets) - Portfolio	**34.6%**
Loan to Valuation Ratio (LVR) – Direct Properties	**38.6%**

Source: Elanor

Debt Facility & Metrics

The Fund has a target Gearing Ratio of 25% - 45% on a look through basis. The target Gearing Ratio is a long term target and the Fund may from time to time operate outside the target range, for example when a new property is being acquired.

The Fund has in place an existing three-year debt facility, which expires in May 2024, with an initial draw down of $41.7M.

- The Loan to Valuation Ratio (LVR) is 38.6%, against an LVR covenant of 50%. Core Property calculates that the value of the direct property portfolio must fall by 22.8% for the LVR covenant to be breached.
- The Interest Coverage Ratio (ICR) is 3.5x against an ICR covenant of 1.75x. Core Property calculates the net operating income must fall by 49.3% for this covenant to be breached.

Investors should be aware that the debt may change as further properties are acquired by the Fund and as the Loan Facility is extended or replaced over time. Any change in the cost of debt may impact investor returns.

Figure 7: Debt Metrics

Details	Metric
Bank	Commonwealth Bank of Australia
Security	First ranked mortgage secured against the directly owned properties with General Security Agreement over all assets of the Fund.
Debt Facility Limit	$48.3M
Drawn Amount	$41.7M
Loan Term	3 years to May 2024
% Hedged	$25M (60%)
All-in cost of Debt	4.62% p.a.
LVR / Gearing	38.6% / 34.6%
LVR Covenant	50%
Initial interest covered ratio	3.5x
ICR Covenant	1.75x
Amount by which valuation will have to fall to breach LVR covenant	22.8%
Amount by which income will have to fall to breach ICR covenant	49.3%

Source: Elanor, Core Property

Fees Charged by the Fund

Overall, Core Property considers the fees charged to be appropriate for the Fund. Investors will note that where the Fund invests in a Fund managed by the Manager, the fees charged will be treated on a look through basis to ensure there is no double charging of fees.

Figure 8: Summary of Fees charged by the Fund

Fee Type	Fee Charged (excl GST)	Core Property Comment
Entry / Establishment Fee	Nil	
Exit / Switching / Withdrawal Fee	Nil	
Buy/Sell Spread	0% Buy Spread 2% Sell Spread	The Buy/Sell Spread are not fees paid to the RE but are incorporated in the Application Price and Redemption Price to recover costs incurred. Core Property considers the Buy/Sell Spread to be appropriate for the Fund.
Acquisition Fee	Up to 1.50%[1] of the purchase price of a property.	Core Property considers this to be in line with what we have typically seen in the industry (1.0% - 2.0%).
Management Fees and Costs	Management Fee: 0.65% p.a. of the Gross Asset Value (GAV) of the Fund. Fund Costs: estimated at 0.40% p.a. of the GAV.	The Management Fee is at the low end of what has been typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Disposal Fee	Up to 1.50%[1] of the sale price of a property.	Core Property considers this to be in line with what we have typically seen in the industry (1.0% - 2.0%).
Performance Fee	20% of the Fund's outperformance over the Benchmark Return (currently 8.0% p.a.). - Calculated and paid annually at 30 June, with the first period being the commencement date 8 November 2022 to 30 June 2023.	Core Property considers the Performance Fee to be in line with current market practice for similar funds. Any underperformance is carried forward and must be recouped in a later period before a Performance Fee is payable.

Note: estimated at 1.54% (including GST). Source: Elanor, 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).

The Manager is targeting the Fund to deliver an IRR of 10% p.a. during the initial 2 years.

- The Manager's target IRR includes a target distribution of 5.5% - 6.0% p.a.
- In addition, the Manager is targeting capital growth from stronger leasing outcomes, and higher occupancy at the Gladstone Shopping Centre.
- The Manager is also considering value-add opportunities to deliver incremental income with up to four pad sites across Manning Mall and Northway Plaza, which may further contribute to returns for investors.

The Fund is an open-ended property fund. As such, investors should expect their returns to be driven by the timing of their entry and exit prices as well as the performance of the portfolio, which is expected to change as properties are acquired and sold over time.

Management & Corporate Governance

Elanor Investors Group (parent of Elanor Funds Management) is an ASX-listed Australian investment and funds management business operating over $2.9B of funds under management. The Management team has had a proven track record in acquiring and managing assets across a range of real estate sectors.

Core Property has reviewed the composition of the Board and Senior Management of the Trustee and Manager and believes that it has the relevant skills and experience to operate the Fund. Each Director has demonstrable property and investment management skills, with no less than 15 years' property or finance experience.

Figure 9: The Board of the Trustee and Manager

Name & Role	Experience
Paul Bedbrook Chairman	Paul was appointed a Director of the Responsible Entity in June 2014. Paul has had a career of over 30 years in financial services, originally as an analyst, fund manager and then the GM & Chief Investment Officer for Mercantile Mutual Investment Management Ltd (ING owned) from 1987 to 1995. Paul was an executive for 26 years with the Dutch global banking, insurance and investment group, ING, retiring in 2010. Paul's career included the roles of: President and CEO of ING Direct Bank, Canada (2000 – 2003), CEO of the ING Australia/ANZ Bank Wealth JV (2003-2008) and Regional CEO, ING Asia Pacific, Hong Kong (2008 – 2010). Paul is currently the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies, and a nonexecutive director of Great Southern Bank and the National Blood Authority.
Glenn Willis Managing Director & Chief Executive Officer	Glenn has extensive industry knowledge with over 30 years' experience in the Australian and international capital markets. Glenn was the co-founder and Chief Executive Officer of Moss Capital, prior to the establishment and ASX listing of Elanor Investors Group in July 2014. Prior to Moss Capital, Glenn co-founded Grange Securities and led the team in his role as Managing Director and CEO. After 12 years of growth, Grange Securities, was acquired by Lehman Brothers International in 2007, as the platform for Lehman's Australian investment banking and funds management operations. Glenn was appointed Managing Director and Country Head in March 2007. In 2008, Glenn was appointed executive Vice Chairman of Lehman Brothers Australia. Glenn is a Director of FSHD Global Research Foundation.
Nigel Ampherlaw Non-Executive Director	Nigel was appointed a Director of the Responsible Entity in June 2014. Nigel was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held a number of senior client Lead Partner roles. Nigel has extensive experience in risk management, technology, consulting and auditing in Australia and the Asia-Pacific region. Nigel's current Directorships include Chairman of Great Southern Bank, where he is Chairman of CCI Ltd and a member of the Strategy Committee, non-executive director of Quickstep Holdings Ltd where he is Chair of the Audit and Risk Committee and non-executive Director of the Australia Red Cross Blood Service, where he is a member of the Finance and Audit Committee and a member of the Risk Committee. Nigel has also been a member of the Grameen Foundation Australia charity board since 2012.
Su Kiat Liam Non-Executive Director	Su Kiat was appointed as a Director of the Responsible Entity in October 2021. Su Kiat is currently CEO of Firmus Capital Pte Ltd, a Singapore based private equity real estate investment management firm founded in 2017. Su Kiat has been in the property industry for over 20 years with extensive direct real investment experience, executing strategies across direct real estate portfolios in Asia Pacific including Australia. In 2011 Su Kiat co-founded Rockworth Capital Partners, with direct real estate AUM of circa $1bn by 2017. Prior to that, Su Kiat held key roles in investments management and investment origination at Frasers Commercial Trust and ALLCO REIT. Su Kiat started his career in real estate as a Consultant in Retail Economics at Urbis. Su Kiat is a current non-executive Director of Aspen Group Holdings Ltd a diversified group listed on the SGX.
Tony Fehon Non-Executive Director	Tony was appointed as a Director of the Responsible Entity in August 2019. Tony has more than 30 years' experience working with some of Australia's leading financial services and funds management businesses. He has broad experience in operational and leadership roles across many industries. Tony is a director of Elanor Hotel Accommodation Limited and Elanor Hotel Accommodation II Limited, enlighten Australia Pty Limited, Global Bioprotect Pty Limited, Maker Films and Team Mates Pty Limited. He is an Executive Director of Volt Bank Limited and was previously an Executive Director of Macquarie Bank Limited where he was involved in the formation and listing of several of Macquarie's listed property trusts including being a director of the listed leisure trust. Tony continues to be involved in developing and completing investment structures for real estate investment and development, financial assets and leisure assets.
Karyn Baylis Non-Executive Director	Karyn was appointed a Director of the Responsible Entity in November 2021. Karyn was most recently CEO of Jawun, a position she has held since 2009, and joined the Jawun Board in 2017. She retired from Jawun in January 2022. In 2015, Karyn was awarded The Australian Financial Review and Westpac 100 Women of Influence Award in Diversity. In the 2018 Queen's Birthday Honours, Karyn was awarded a Member in the General Division of the Order of Australia (AM) for significant service to the Indigenous community. Karyn is a current member of Chief Executive Woman (CEW) and the Australian Institute of Company Directors (AICD).

Source: Elanor

Figure 10: Senior Management Team

Name & Role	Experience
Glenn Willis Managing Director & Chief Executive Officer	See Board of Directors above.
David Burgess Co-Head of Real Estate	David has over 20 years' experience in property and equity markets, most recently as the Head of Investment, Office and Logistics at GPT. David's experience also encompasses a number of property valuation roles and equity research roles at Credit Suisse and Citigroup. At Elanor, David is responsible for development and overall investment performance of Elanor's commercial real estate investment and asset management platforms.
Michael Baliva Co-Head of Real Estate, Fund Manager	With over 25 years' experience in the Australian and international property industry, Michael is responsible for the acquisition and investment management of real estate assets, with a focus on the retail sector. Prior to Elanor's listing, Michael held the positions as an Executive Director of Real Estate at Moss Capital for five years, and a Chief Investment Officer of Centro Properties in the USA where he was responsible for 235 properties valued at US$6.4B.
Paul Siviour Chief Operating Officer	Paul has over 30 years' experience in senior roles in financial services, investment banking and corporate finance. Prior to Elanor's listing, Paul was the Oceania Leader of Banking and Capital Markets and a partner in the Financial Services practice at EY. He has also held a number of positions at Investec Bank Australia, including Co-Head of the Private Bank and Senior Mergers and Acquisitions Adviser.
Symon Simmons Chief Financial Officer, Company Secretary	Symon has over 23 years' business management experience, most recently as Chief Operating Officer at Moss Capital, where he was responsible for the firm's Finance, Corporate, Human Resources, Legal and Administration functions. Symon previously worked for EY gaining experience across a range of businesses and transactions. He is Chairman of a social enterprise, Global Ethics Australia, and chairman and founder of The One Foundation Australia, which supports essential infrastructure projects in developing nations in Africa and Asia.
Robert Bishop Responsible Manager and Chair of the Compliance Committee	Robert has over 30 years' business management experience. Robert is a Responsible Manager under the Responsible Entity's Australian Financial Services License (AFSL) and is also the chair of the compliance committee. Robert worked in corporate finance and law, including as chair of the Australian Barclays Bank responsible entity, Celsius Investments Australia.
Matt Healy Head of Retail, Development & Mixed Use	Matt is a retail property executive with over 20 years' experience in major real estate development, investment management and operations. He is responsible for the development and investment performance of Elanor's retail real estate asset management platform. Matt previously held senior roles with Westfield Group, Lendlease and most recently, 151 Property Group, a Blackstone company, managing a portfolio of retail assets valued in excess of $3bn.

Source: Elanor

Compliance and Governance

The Fund comprises two registered managed investment schemes, which each have a Compliance Plan which outline the key processes, systems and measures that the Manager has in place to ensure compliance with the Corporations Act, the Fund's Constitution and ASIC guidelines. The Compliance Plans include processes to deal with complaints handling, applications processing, transfers and distributions, registry systems, record keeping, valuations, conflicts of interest and the monitoring of suspected compliance breaches. The Fund's Compliance Committee consists of three members, including AFSL Responsible Manager for Compliance at Elanor Investors Group. The other two members of the Compliance Committee are external persons. The Compliance Plans are audited annually in accordance with the Corporations Act and the AFSL is also audited by a separate auditor. The Elanor Compliance Officer has oversight of the Fund.

The Fund is also subject to the compliance policies of its manager, Elanor Funds Management Limited, which is a wholly owned subsidiary of Elanor Investors Group (ASX: ENN). As a listed entity, Elanor Investors Group has a Compliance Manual, an Audit & Risk Committee comprising board members and policies covering related-party transactions and conflicts of interests.

ASIC Regulatory Guide 46 "Unlisted property schemes: Improving disclosure for retail investors" sets out ASIC's preferred benchmark and disclosure principles designed to assist investors to make an informed decision on the Fund. The Manager undertakes a regular review of the six benchmarks and eight disclosure principles recommended by RG46 and publishes the Fund's compliance and adherence on the Fund's website. Core Property has reviewed the PDS in reference to the six benchmarks and eight disclosure principles recommended by RG46. The PDS adheres to all of the ASIC guidelines.

Related party transactions

The Fund has a number of related party transactions, which include:

- Initial properties acquired from a related party – The Fund was established in November 2022 through the delisting of the Elanor Retail Property Fund (ASX: ERF), which was managed by the Manager. The delisting received approval from ERF shareholders in August 2022.
- Investing in other Elanor related Funds – the Manager has advised that the Fund has acquired units related funds which are also managed by the Manager. These investments were undertaken in accordance with the Fund's Conflicts of Interest and Related party Policy as outlined in the PDS.
  - Currently the Fund invests in an Elanor managed unlisted fund, the Elanor Harris Street Fund. Units in the Elanor Harris Street Fund were acquired based on the prevailing market value. The Fund acquired the units from Elanor Investors Group (ASX: ENN) and has an option to sell the units back to ENN at any time, based on the prevailing market value.
  - The Fund also invests in the Elanor managed ASX-listed fund, the Elanor Commercial Property Fund (ASX: ECF). Units in ECF were acquired on-market in the ASX in December 2022. All
- Manager investing in the Fund – The Manager may also invest in the Fund, from time to time, to provide support.
- Management Fees and Expenses – The Manager is entitled to a Management Fee as well as a reimbursement of costs and expenses relating to the operation of the Fund.
- Development Fees – The Manager may be entitled to a Development Fee in relation to any capital expenditure undertaken by the Fund. Any Development Fee is expected to be charged at commercial rates and in line with the Manager's policy for Related Party transactions.

Past Performance

Elanor Investors Group (ASX: ENN) listed on the ASX in July 2014 with $173M of assets under management and has since grown this to $2.9B. The Manager has advised that it has delivered an average IRR to investors of 20.9% (range 7.7% – 46.4% p.a.) to investors across 16 separate funds, with an average hold period of 3.1 years.

Investors should note that past performance is not a reliable indicator of future performance as each syndicate – and its respective underlying asset – has its own specific risks and attributes, which operate differently under different market conditions.

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.

This report has been commissioned, and, as such, Core Property has received a fee for its publication. Under no circumstances has Core Property been influenced, either directly or indirectly, in making statements and / or recommendations contained in this report.

Ratings History

The following is a summary of the ratings provided by Core Property since the establishment of the Fund.

Date	Core Property rating
November 2022	The Fund is established.
February 2023	The Fund is rated as "Recommended".

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Core Property has received a fee from the Manager for researching the product(s) which has then been subject to a detailed review and assessment by Core Property and its analysts to produce this report. In compiling this report, Core Property's views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers for review.

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