ELANOR PROPERTY INCOME FUND
MARCH 2024 QUARTER END

OVERVIEW

The Australian Securities and Investments Commission issued Regulatory Guide 46: "*Unlisted property schemes: Improving disclosure for retail investors*" ('**RG 46**') in March 2012. RG 46 sets out six benchmarks and eight disclosure principles for improved disclosure to retail investors to help them compare risks and returns across investments in the unlisted property sector.

The RG 46 regime specifies that responsible entities of unlisted property schemes offered to retail investors and in which retail investors have invested should disclose against these benchmarks on an 'if not, why not' basis.

The information below follows the RG 46 guidelines and is based on reviewed financial information as at 31 March 2024 unless otherwise stated.

On 29 January 2024 the Responsible Entity announced that it was conducting a strategic review of the Fund. At that time, the Responsible Entity also notified Securityholders that the redemption facility and distribution reinvestment plan would cease until further notice, and that redemption requests and subscription applications would not be accepted.

On 13 March 2024 the Responsible Entity concluded that the Fund's underlying purpose and investment objectives are not achievable, and having considered a range of options, it determined that it is in the best interests of the Fund, and Securityholders as a whole, to proceed with an orderly wind up of the Fund, incorporating the realisation of the Fund's assets (namely Gladstone Square, Glenorchy Plaza, Manning Mall and Northway Plaza) and returning capital to investors as the assets are realised in accordance with the Fund's Product Disclosure Statement and the Fund's Constitution. The process to realise the Fund's assets is expected to be completed over a 12 to 18 month period, subject to market conditions.

On 8 May 2024, Securityholders voted in favour of an orderly wind up of the Fund and an initial return of capital ("The Vote") to eligible Securityholders by way of increased drawn debt in the Fund.

We are committed to providing investors in the Elanor Property Income Fund (the '**Fund**') with timely and balanced disclosure of all material matters concerning the Fund in accordance with its continuous disclosure obligations, including RG 46. Key information and any material changes will be updated by us and made available on our website at https://www.elanorinvestors.com/epif/.

GEARING RATIO

Disclosure Principle 1

The Fund's gearing ratio indicates the extent to which its assets are funded by external liabilities.

$$\text{Gearing ratio} = \frac{\text{Total interest bearing liabilities}}{\text{Total assets}}$$

Application of Disclosure Principle 1

FUND	GEARING RATIO
Elanor Property Income Fund	40.3%

The gearing ratio shows the extent to which the Fund's total assets are funded by interest bearing liabilities and gives an indication of the potential risks investors face in terms of external liabilities that rank ahead of them. Borrowing (or gearing) can be an important investment tool because, through borrowing, larger amounts become available to generate returns. But whilst this can enhance any gains, conversely it can magnify any losses.

Returns from geared investments are also more volatile than returns from the same investments that are not geared. Accordingly, a geared fund will be regarded as having a higher risk profile than a comparable ungeared fund. The greater the level of gearing, the greater the potential for both significant capital gain and loss. The gearing ratio is calculated using the assets and liabilities published in the most recent financial statements adjusted for any material changes since those statements.

The Fund has adopted and complies at 31 March 2024 with a written borrowing policy which governs the level of gearing and under which the Responsible Entity intends to maintain a Gearing Ratio within a range of 25-45% and no greater than 45%.

As at 31 March 2024, the current Gearing Ratio of the Fund is 40.3%

The calculation of the Gearing Ratio is in accordance with ASIC guidelines.

Notwithstanding the above, subsequent to The Vote and the resulting increased drawn debt, the Gearing Ratio of the Fund has increased to 59.8%. The Gearing Ratio is expected to progressively reduce as the Fund's assets are sold and debt repaid.

The Responsible Entity monitors and manages the gearing levels of individual credit facilities within the Fund and may seek to refinance or hedge the borrowings when conditions are favorable.

Benchmark 1: Gearing Ratio

The Responsible Entity is required to maintain and comply with a written policy that governs the level of gearing at an individual credit facility level.

The Fund meets the benchmark at 31 March 2024.

Other Considerations

In addition to the prescribed Gearing ratio above, under the terms of the Fund's borrowing facility in place at 31 March 2024, the Fund is also required to maintain a loan to value ratio of not more than 52.5%. The loan to value ratio is a measure of the borrowing facility amount drawn as a proportion of the value of assets secured under the borrowing facility.

As 31 March 2024, the loan to value ratio is 42.0%.

Subsequent to The Vote, the terms of the Fund's revised borrowing facility require a maximum loan to value ratio of 65%. Including the increased drawn debt used to fund the initial return of capital, the loan to value ratio is 62.4%. The Loan to Value Ratio is expected to progressively reduce as the Fund's assets are sold and debt repaid.

INTEREST COVER

Disclosure Principle 2

Interest cover indicates the Fund's ability to meet interest payments from earnings.

Interest cover = $\dfrac{\textit{EBITDA}^{1} - \textit{unrealised gains} + \textit{unrealised losses}}{\textit{Interest expense}}$

Application of Disclosure Principle 2

FUND	INTEREST COVER
Elanor Property Income Fund	3.00

Interest cover is a key indicator of the financial health of the Fund. The lower the interest cover, the higher the risk that the Fund will not be able to meet its interest payments. A Fund with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments.

The Fund has adopted and complies with a written borrowing policy which includes the interest coverage policy at an individual credit facility level. The Manager will generally seek to ensure that the Interest Cover Ratio covenant specified under each individual debt facility allows sufficient headroom to forecast levels over the term of the relevant facility.

The interest cover ratio of the Fund is currently 3.00 times based on earnings and interest expense from 1 April 2023 to 31 March 2024.

Benchmark 2: Interest cover policy

The Responsible Entity is required to maintain and comply with a written policy that governs the level of interest cover at an individual credit facility level.

The Fund meets the benchmark at 31 March 2024.

[1] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation.*

Other Considerations

In addition to the prescribed Interest Cover ratio above, under the terms of the Fund's borrowing facility in place at 31 March 2024, the Fund is also required to maintain a minimum interest cover ratio of 1.75 times to be calculated as prescribed under the borrowing facility.

The testing date for the interest cover ratio was 31 December 2023. The interest cover ratio of the Fund was 3.41 times based on net rent and interest expense from 1 January 2023 to 31 December 2023. The next testing date for the interest cover ratio is 30 June 2024.

Subsequent to The Vote, the terms of the Fund's revised borrowing facility require a minimum interest cover ratio of 1.00 times based on EBITDA and interest expense.

BORROWINGS

Disclosure Principle 3

This principle requires information on the Fund's borrowing maturity and credit facility expiry and any associated risks. It is also important that investors are kept informed and updated with information they would reasonably require on breaches of loan covenants.

At 31 March 2024, the Fund has a $50 million debt facility from a major Australian bank, due to mature on 31 August 2026. The facility is secured by first-ranking mortgages over the directly held properties within the Portfolio and security interests over the Fund's assets. The lender ranks ahead of, but has no recourse to, Securityholders for the payment of interest and repayment of the principal.

Subsequent to The Vote, the Fund's debt facility increased to $69 million with the existing lender, due to mature on 31 August 2025.

The Fund's borrowings are summarised below. All amounts are in Australian dollars.

AS AT 31/03/2024	FACILITY LIMIT
Total facility limit	$50m[1]
Drawn facility limit	$44.7m
Undrawn facility limit	$5.3m
Facility maturity date	31 August 2026
Facility interest rate (all inclusive)	5.33%
% of borrowings hedged	56%
Loan to value covenant limit	52.5%[2]
Loan to value currently calculated	42.0%[1]
Interest cover covenant limit	1.75
Interest cover currently calculated	3.41[3]

1. The fund has executed an amended facility agreement for the refinancing of its debt facilities, increasing the total facility limit to $69.03 million to assist with the initial return of capital, and all facilities to expire 31/08/2025.

2. Loan to value covenant tested using the definition in the facility documentation, equal to total facility limit divided by most recent bank accepted valuations (Jun-22).

3. Interest cover covenant tested using the definition in the facility documentation, equal to net rental income divided by interest expense for the relevant period.

As at 31 March 2024, the loan to value ratio is 42.0% based on the drawn facility limit and most recent bank accepted valuations of $106.2m in June 2022, compared to the covenant limit of no more than 52.5%. The value of the directly held assets within the Portfolio would need to decrease by 20.5% from the latest December 2023 valuations of $106.8m for the Fund to be in breach of this covenant.

The test date for the interest cover ratio (‘**ICR**’) was 31 December 2023, against the covenant limit of at least 1.75 times. The interest cover ratio of the Fund was 3.41 times for the test date based on net rent and interest expense from 1 January 2023 to 31 December 2023. Net rent would need to be 48.6% lower or the interest expense would need to be 95% higher for the Fund to be in breach of this covenant.

The Constitution of the Fund allows the Responsible Entity to borrow on behalf of the Fund.

The Fund borrows to finance new and existing assets, to develop, refurbish and maintain those assets, and to provide liquidity for operating purposes and managing working capital.

All debt facilities arranged for the Fund will limit the security of a financier to the assets of the Fund. Therefore, the financier will have no recourse against any investor personally or against other assets of any investor. No investor will be responsible to a financier for the obligations of any other investor.

Investors should be aware that the amount owing to the financier and other creditors of the Fund rank before an investor’s interest in the Fund.

From time to time, the Manager may enter into interest rate hedging contracts in order to provide more certainty for the Fund’s future interest expenses. The Manager intends to hedge against potential movements in interest rate levels in respect of at least 40% of the Fund’s drawn debt from time to time, by the use of financial derivative instruments and / or fixed rate debt facilities.

As at 31 March 2024, 56% of the Fund’s borrowing is hedged.

Subsequent to The Vote, 38% of the Fund’s borrowings are hedged.

Benchmark 3: Interest capitalisation

The interest expense of the Fund is not capitalised.

Interest expenses of the Fund will not be capitalised in the ordinary course of business. Interest capitalisation may be considered for financing costs relating to major development projects where the total cost is more than 20% of the property value. As at the 31 March 2024 there are no major development projects being undertaken and hence no interest expense is being capitalised.

At the current date, the Fund is not capitalising interest and therefore meets the benchmark.

PORTFOLIO DIVERSIFICATION

Disclosure Principle 4

This information addresses the Fund's investment practices and portfolio risk.

The Fund invests across a range of properties, providing diversification by property, sector, geographic location and tenancy mix.

The Fund generally targets stabilised assets which are competitively located and produce predictable, recurring cashflows. The Fund invests in property, both directly and indirectly through other property funds that invest in direct property.

To assist with liquidity and returns, the Fund also holds cash and listed property securities. Liquid assets will comprise a combination of direct holdings and external investment funds over time.

The Fund aims to hold a diversified portfolio within the following allocations:

80-90%	Direct property and property funds
10-20%	ASX-listed property securities and cash

The Fund currently holds 2.27% of its assets in cash and property securities with the remainder held in direct property and property funds.

Benchmark 4: Valuation policy

The Responsible Entity is required to maintain and comply with a written property valuation policy that requires:

- ***(a) a Valuer to:***
  - ***a. be registered or licensed in the relevant State, Territory or overseas jurisdiction in which the property is located, or otherwise be a member of an appropriate professional body in that jurisdiction; and***
  - ***b. be independent***
- ***(b) procedures to be followed for dealing with any conflict of interest;***
- ***(c) rotation and diversity of valuers;***
- ***(d) valuations to be obtained in accordance with a set timetable;***
- ***(e) for each property, an independent valuation to be obtained:***
  - ***a. before the property is purchased:***
  - ***b. for a development property, on an 'as is' and 'as if complete' basis; and***
  - ***c. for all other property, on an 'as is' basis; and***
  - ***d. within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property."***

The Fund meets the benchmark at 31 March 2024.

The Responsible Entity maintains and complies with a written property valuation policy that can be provided on demand from the Responsible Entity.

Related Party Transactions

Disclosure Principle 5: Related Party transactions

Investors need to be able to assess the Fund's approach to related party transactions.

Details of all related party transactions are reported annually as part of the Fund's audited annual accounts. The latest annual audited accounts of the Fund can be found on our website at https://www.elanorinvestors.com/epif/

Benchmark 5: Related party transactions

The Fund is required to maintain and comply with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest.

The Responsible Entity has adopted, complied with and makes available its Conflicts of Interest and Related Party Policy and therefore meets this benchmark.

Key elements of this policy are as follows:

- The Fund adopts and requires an environment where senior management must always act in the interests of its investors in funds and in regard to related party transactions will act with those interests paramount.
- The obligation to act in the best interests of investors means that the Fund is required to ensure that principal and agent transactions with a related party are conducted at arm's length and on commercial terms or better.
- The Fund will ensure that it keeps records showing what it has done in terms of this policy including maintaining a Related Party Register.

The board of the Responsible Entity may review transactions and prior approvals at any time and, if necessary, revoke its approval. All related party transactions must either be on arm's length commercial terms or approved by investors by ordinary resolution. The Company Secretary monitors all related party transactions to ensure that they are approved in the required manner.

Compliance with this policy is monitored by the Responsible Entity by review at the meetings of the compliance committee and the board of directors. A copy of the related party transactions policy is available for inspection by investors upon request. The Fund currently complies with the Related Party Policy and Procedures.

Distribution Practices

Disclosure Principle 6

This discloses whether distributions to investors have been made solely from realised income or from a combination of realised income and a return of capital funded by borrowings. Information on the Fund's distribution practices helps investors assess the sources of the distributions and be informed about the sustainability of distributions from sources other than realised income.

Benchmark 6: Distribution practices

The scheme is required to only pay distributions from its cash from operations (excluding borrowings) available for distribution.

The Fund meets the benchmark at 31 March 2024.

Subsequent to the Vote the Fund has paid an initial return of capital on 15 May 2024 by way of increased drawn debt in the Fund. This has been approved by shareholders at the Extraordinary General Meeting held on 8 May 2024.

We ensure that any material issues related to the Fund's distribution practices are notified to investors through ongoing disclosure, which includes disclosing the changes on our website at https://www.elanorinvestors.com/epif/

The Fund has paid monthly distributions consistently since its inception.

WITHDRAWAL ARRANGEMENTS

Disclosure Principle 7

Investors may transfer units in the Fund in accordance with the Fund's Constitution.

Prior to the Vote, the Fund operated a Liquidity Facility on a quarterly basis, under which investors were able to request redemption of part or all of their investment. Withdrawals under the Liquidity Facility were subject to available liquid assets and an aggregate cap of 5% of issued securities per quarter (20% p.a.), or such other amount determined by the Manager at its discretion.

On 29 January 2024 the Responsible Entity announced that it was conducting a strategic review of the Fund. At that time, the Responsible Entity also notified Securityholders that the redemption facility and distribution reinvestment plan would cease until further notice, and that redemption requests and subscription applications would not be accepted.

As noted in the "Overview", Securityholders have voted in favour of an orderly wind up of the Fund, incorporating the realisation of the Fund's assets (namely Gladstone Square, Glenorchy Plaza, Manning Mall and Northway Plaza) and returning capital to investors as the assets are realized. The process to realise the Fund's assets is expected to be completed over a 12 to 18 month period, subject to market conditions.

FUND NET TANGIBLE ASSETS

Disclosure Principle 8

Responsible Entities of closed-end schemes should clearly disclose the value of the net tangible assets ('**NTA**') of the scheme on a per unit basis in pre-tax dollars using the following formula:

$$\text{NTA} = \frac{\text{Net assets-intangible assets+/-any other adjustments}}{\text{Number of units in the scheme on issue}}$$

The Fund is an open-ended scheme and will disclose its NTA monthly on Fund Website. The NTA will be calculated each month in accordance with the Security Pricing Policy.

The Fund NTA at 31 March 2024 is $0.7813 per unit.