Core Property
Fund Research & Ratings
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Unlisted Property Fund Report

Centennial Hinkler Central Trust

November 2023

Sub-regional shopping centre targeting initial distributions of 7.9% p.a.

For sophisticated and wholesale investors only

Centennial Hinkler Central Trust

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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Centennial Hinkler Central Trust

November 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 Centennial Hinkler Central Trust ("the Fund") is a closed ended unlisted property fund that invests in the Hinkler Central Shopping Centre ("the Property") in Bundaberg QLD. The Fund will invest in the Property by way of acquiring units in the Parkstone Retail No 1 Unit Trust, which is managed by Parkstone Funds Management.

To facilitate the acquisition, the Fund is seeking to acquire up to $58.7M through the issue of 58.7M units at $1.00 per unit (the "Offer"). The Offer is available to wholesale and sophisticated investors. The Fund will acquire units in the Parkstone Retail No 1 Unit Trust ("Parkstone Property Trust"), alongside existing Parkstone wholesale investors, which will then own the Property. It is expected that the Fund will hold a significant stake with Parkstone wholesale investors owning the remainder of units. The Fund has been structured to provide investors with the same return as the underlying fund, the Parkstone Property Trust.

Hinkler Central is a dominant Sub-Regional shopping centre located in the heart of the CBD in Bundaberg QLD. The centre offers 20,791 sqm of gross lettable area (GLA) and is anchored by Kmart, Woolworths and Coles, which account for 63.6% of the floor space. The centre is one of two dominant centres in Bundaberg and is the only centre with both Coles and Woolworths supermarkets. The Property delivers strong trading metrics with over $229M of sales and is ranked 3rd in Queensland and 11th in Australia for productivity in sales per sqm, making it attractive for tenants. The Property has an existing Development Approval to add a further 1,100 sqm, which the Manager will explore to further add value for investors.

The Property performs strongly with high sales per sqm and low occupancy costs for tenants. The Manager sees this provides an unique opportunity to actively manage the lease expiries to further increase rental income and deliver higher returns for investors.

Bundaberg is Queensland's second fastest growing city with a 7.1% growth rate and forecast growth in retail spending of 3.3% p.a. Serving the largest regional population outside of South East Queensland, Bundaberg has over $4.2 billion in committed capital projects under planning or construction, which is expected to further enhance business and trading activity.

The Property will be managed by Parkstone Funds Management ("the Manager"), a boutique property fund manager based in Adelaide SA. Established in 2018, Parkstone has strong experience in managing regional retail properties and developments. As part of the transaction, Centennial will acquire an interest in Parkstone Funds Management providing investment oversight.

The Manager is targeting initial distributions for the Parkstone Property Trust of 7.9% p.a. in year 1, with forecast average distributions of 8.3% p.a. (range 7.7% - 8.9% p.a.).

The Manager is looking to establish a debt facility for the Parkstone Property Trust with an initial Loan-To-Value Ratio (LVR) of 55%. Investors should recognise the use of higher debt is designed to deliver higher returns which comes with higher risk. The initial all-in-cost of debt is estimated at 6.19% p.a. The debt is subject to final terms on settlement in January 2024.

Based on the Manager's assumptions, Core Property estimates the Parkstone Property Trust to deliver a 5-year Internal Rate of Return (IRR) in the range of 9.9% - 12.3% p.a. (midpoint 11.1% p.a.). Core Property's base case forecast IRR assumes the terminal cap rate to remain at 7.25% with a +/-25 bps sensitivity. Our IRR calculations do not take into account the potential upside that the Manager is targeting from improving the Property metrics over time. Investors will note that Parkstone Funds Management is targeting an IRR of 13% - 15% p.a. on the basis of a -50 bps movement in the terminal capitalisation rate as a result of their strategy. The terminal value of the Property will ultimately be based on prevailing market conditions, and an IRR outside the range is possible.

In Core Property's opinion, the Fund would suit wholesale investors seeking an investment exposure to a well performing sub-regional shopping centre with an attractive forecast distribution yield. The Fund offers the potential for capital gains over the long term through rental income growth as well as potential development opportunities. Investors should recognise the investment is managed by Parkstone Funds Management, with oversight by Centennial. The Fund is illiquid, and investors should expect to remain invested for the minimum initial term of five years.

Fund Details

Offer Open:	16 November 2023
Offer Close[1]:	15 December 2023[1]
Minimum Investment:	$500,000 The Trustee may accept lower amounts at its discretion
Unit Entry Price:	$1.00 per unit
Initial NTA per unit:	$0.85[2] per unit
Liquidity:	Illiquid
Forecast Distribution:	7.91% p.a. (year 1)
Distribution Frequency:	Quarterly
Initial investment period:	5-7 years

Note 1: The Trustee may close the Offer early or extend the Offer.
Note 2: Based on the estimated initial NTA of the underlying fund, assuming transaction costs are written off at the commencement of the Trust.

Fund Contact Details

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Phone 0422 321 558

Fund Manager - Website

www.centennial.com.au

Note: This report is based on the Centennial Hinkler Central Information Memorandum dated 16 November 2023 together with other information provided by Centennial and Parkstone Funds Management.

Key Considerations

Fund Structure & Strategy: Investors in the Fund will have an indirect interest in the Property through the Fund, which will acquire units in the Parkstone Property Trust, which will in turn acquire the Property. As part of the transaction, Centennial will acquire an interest in Parkstone Funds Management ("the Manager") and will provide investment oversight including a position on the Board of the Manager. The Centennial Hinkler Central Trust will provide a full payment of all returns from the Parkstone fund, with no additional costs charged. The Manager's strategy targets an attractive distribution while actively managing the Property to deliver potential income and capital upside. The Manager will also pursue Value-Add strategies by expanding the centre to provide an additional 1,100 sqm of GLA under an existing DA in place, in additional to optimising the tenancy mix and enhancing income streams through the installation of solar panels that will be on sold to tenants.

Management: Parkstone Funds Management is a boutique investment fund manager established in 2018 with $135M of assets under management. Parkstone focuses on investments in dominant retail properties in regional Australia. The key personnel of Parkstone have extensive retail property and development experience. Centennial was established in 2012 and has deep investment experience with a strong property platform with over $1.8 billion of assets under management, which has delivered an IRR of ~22% for investors. The Directors and employees of Centennial will subscribe for a minimum of 5.0% of the units raised by Centennial, providing an alignment of interest with investors.

The Offer: The Fund is seeking to raise up to $58.7M through the offer of 58.7M units at $1.00 per unit. The Offer is available to wholesale and sophisticated investors. The Fund is expected to hold a significant share of the Parkstone Fund alongside Parkstone investors. If the Fund holds over 50%, the Fund will have a majority voting position.

The Property: Hinkler Central is a sub-regional shopping centre located in the heart of the CBD in Bundaberg QLD. The shopping centre offers 20,791 sqm of Gross Lettable Area and is anchored by Kmart, Woolworths and Coles with 3 mini majors (the Reject Shop, Priceline and medical centre), 56 specialty stores, 7 kiosks, 4 ATMs and 1,066 car spaces. The Property reports strong trading metrics with Moving Annual Turnover (MAT) of $229M, with sales per sqm being 47% above benchmark levels. The Property is the only shopping centre in Bundaberg with both a Coles and Woolworths supermarket, with both trading in turnover rent. The Centre's occupancy is strong at 99.4% with a Weighted Average Lease Expiry of 3.2 years (by income).

Flood coverage: The Property is in a flood zone and has been impacted by flood in the past. Parkstone Funds Management has advised that the Property will have adequate insurance to protect for flood damage as a condition of the Fund.

Bundaberg QLD: Bundaberg is the 13th most populous area in Queensland and the second fastest growing city with 7.1% growth in Gross Regional Product. Population growth is forecast at 1.0% p.a. with retail spending forecast to grow by 3.3% p.a. In 2013 the city experienced record flooding which impacted the Property.

Debt Profile: The Manager has indicative terms to establish a debt facility for $58.8M on settlement in January 2024. The initial Loan to Valuation Ratio (LVR) of 55% provides an 12% buffer to the expected LVR bank covenant of 62.5%. The initial Interest Coverage ratio (ICR) of 2.5x is above the expected bank ICR covenant of 1.5x. The Manager has factored in an estimated initial all-in-cost of debt of 6.19% p.a.

Initial NTA: The initial NTA is $0.85 per unit, with dilution primarily from stamp duty costs.

Distributions: Parkstone Funds Management is targeting distributions of 7.91% p.a. in year 1, increasing to 8.86% p.a. in year 5, (average 8.29% p.a.). Distributions are paid quarterly.

Fees: Core Property considers the fees to be appropriate. All fees are paid by the Underlying Trust and there are no additional fees paid by the Centennial Hinkler Central Trust.

Total Returns: Core Property estimates the Fund to deliver an IRR of 9.9% p.a. – 12.3% p.a. (midpoint 11.1% p.a.). The calculation is based on the Property Manager's forecasts and assumes a +/-25 bps movement in the terminal capitalisation rate and does not include potential upside from the Manager's Value-Add strategy for the Property. The Manager is targeting an IRR of 13%- 15% p.a. based on a -50 bps movement in the terminal capitalisation rate to 6.75%. Investors should be aware that the Fund may deliver an IRR outside this range.

Liquidity: The fund is illiquid and investors should expect to remain invested until such time as the Property is sold and the Parkstone Property Trust is wound up. The Fund has an initial term of 5-7 years.

Investment Scorecard

Management Quality

★★★★☆

Governance

★★★★☆

Asset Quality / Portfolio

★★★★☆

Income Return

★★★★☆

Total Return

★★★★☆

Gearing

★★☆☆☆

Liquidity

★☆☆☆☆

Fees

★★★★☆

Key Metrics

Fund Structure	
An unlisted property fund investing in a Sub Regional Shopping Centre located in Bundaberg QLD.	

Management
Centennial Property Fund Pty Ltd is a specialist investor and manager of direct property investments. Established in 2010, Centennial focuses on acquiring food and service-based shopping centres and manages over $1.8 billion of properties.

Property Portfolio	
No. of Properties:	1
Acquisition Price:	$107.0M
Property Location:	16 Maryborough Street, Bundaberg Central, QLD
Property Sector:	Retail
Key Tenants:	Kmart, Woolworths, Coles
Occupancy:	99.4% (by area)
WALE:	3.2 years (by income)

Return Profile	
Forecast Distribution p.a.:	7.91% (year 1) 8.29% (5-year average)
Distribution Frequency:	Quarterly
Estimated Levered IRR (pre-tax, net of fees):	9.9% - 12.3% p.a. (midpoint 11.1% p.a.) based on a +/-25bps sensitivity to 7.25% capitalisation rate. The Manager is targeting an IRR of 13% - 15% p.a. based on an exit capitalisation rate of 6.75%.
Target Investment Period:	5-7 years

Risk Profile	
Property/Market Risk:	Capital at risk will depend on the performance of Hinkler Central Shopping Centre, in Bundaberg QLD. Investors will be exposed to a potential capital gain or loss, based on market conditions.
Interest Rate Risk:	Any change in the cost of borrowings may impact the distributable income 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 Risks section in the Information Memorandum.

Fees Paid	
Entry Fees:	Nil
Exit Fees:	Nil
Acquisition Fee:	2.0% of the purchase price
Management Fee:	0.60% p.a. of GAV of the Fund.
Disposal Fee:	0.7% of the gross value of the disposal price
Performance Fee:	A 20% Outperformance Fee over an IRR hurdle rate of 10% p.a.

Note: Fees are paid by the Underlying Trust, the Parkstone Retail No 1 Unit Trust. There are no fees paid to the Centennial Hinkler Central Trust.

Debt Metrics – Expected Terms	
Initial Debt / Facility Limit:	$58.8M / $66.9M
Loan Period:	3 years
Initial LVR / LVR Covenant:	55.0% / 62.5%
ICR / ICR Covenant:	2.5x / 1.5x

Note: Debt metrics are indicative only and subject to finalisation of debt facility by the Manager.

Legal	
Offer Document:	Centennial Hinkler Central Trust Information Memorandum, dated 16 November 2023.
Wrapper:	Unlisted Property Trust
Issuer:	CPG Financial Services Pty Ltd (ACN 162 617 843, AFSL No. 436802)
Trustee:	Centennial Hinkler Central Pty Ltd (ACN 672 643 999) as trustee of the Centennial Hinkler Central Trust Parkstone Retail No 1 Pty Ltd (ACN 660 415 467) as trustee of Parkstone Retail No 1 Unit Trust
Manager:	Parkstone Funds Management Pty Ltd (ACN 629 086 559, AFSL 526885)

Fund Overview

The Fund is a closed-ended, unlisted property fund that provides an investment in the sub-regional shopping centre Hinkler Central, located at 16 Maryborough Street, Bundaberg Central, QLD ("the Property"). The Trustee, Centennial Property Fund Pty Limited (*"the Trustee"*) is seeking to raise up to $58.7M in equity through the issue of 58.7M units at $1.00 per unit *("the Offer")*. The Offer is available to wholesale investors. The Fund has a minimum investment of $500,000, however the Trustee may accept lower investment amounts at its discretion.

The Fund will invest in the Property by way of acquiring units in the Parkstone Retail No 1 Unit Trust ("the Underlying Trust"). The Fund will acquire the units alongside Parkstone wholesale investors who also invest in the Underlying Trust.

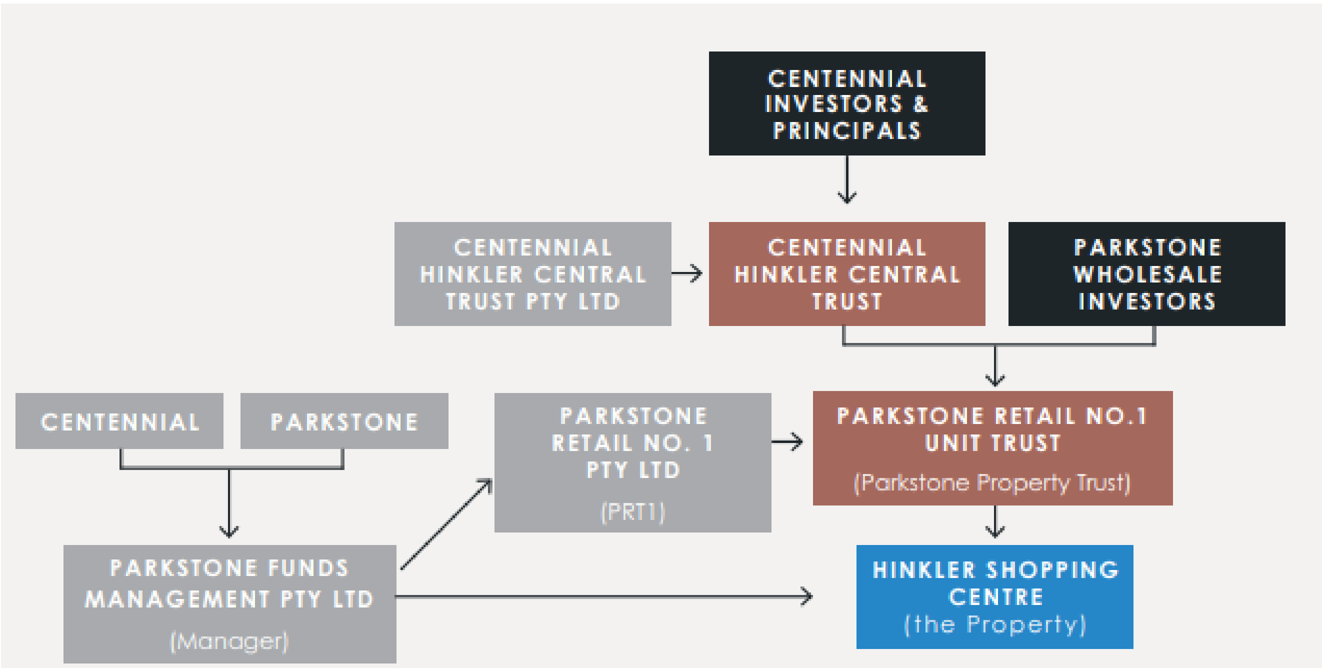
Investors in the Fund are expected to receive the same return as investors in the Underlying Trust. The Fund does not charge any additional fees other than what is charged by the Underlying Trust.

The Trustee estimates that Centennial investors may hold a majority of units in the Underlying Trust, subject to the number of units that are held by Parkstone investors. Investors in the Fund will have an indirect interest in the Property as the Fund is acquiring units in the Underlying Trust. If Centennial investors hold more than 50% of the units, the Fund will have a controlling interest and controlling vote in the Underlying Trust.

The Underlying Trust is managed by Parkstone Funds Management Pty Ltd ("the Manager"). Parkstone is an Adelaide based boutique fund manager with a focus on retail property investments. Established in 2018, Parkstone has over $130M of assets under management across 8 properties. The key principals of Parkstone, Christopher Day and Tim Wilkin, each have over 25 years of property experience in retail shopping centres in regional locations as well as property development. The Parkstone business has existing relationships with Centennial, including development opportunities with some of the founders of Parkstone. One of Centennial's directors, Paul Ford, has an equity interest in Parkstone Funds Management and is on Parkstone's Board. As part of the transaction, Centennial will acquire an equity interest in Parkstone Funds Management and will appoint an additional Director to the Board of Parkstone Funds Management. Parkstone will work with Centennial to look for investment opportunities in retail shopping centres located primarily in regional locations across Australia. Centennial may increase its interest in Parkstone over time, to further align interests and oversee governance within the Parkstone platform. If a formal agreement is not completed between Centennial and Parkstone, the Fund may not invest in the Parkstone Retail No 1 Unit Trust, and the Fund will return investor's money.

The Directors and employees of Centennial intend to invest a minimum of 5.0% of the units raised by Centennial. The investment will be on the same terms and conditions as other investors and provides a further alignment of interests.

Figure 1: Fund structure



Source: Centennial

Fund strategy

The Fund strategy seeks to provide an investment stake in the Parkstone Retail No 1 Unit Trust which is managed by Parkstone Funds Management. During the investment period the Manager will seek to improve the income return of the Property through an improvement in commercial terms with the key tenants.

The key strategy of the Fund is to manage the Property to deliver higher rental income for investors over time. The Property delivers strong trading metrics for tenants with total centre sales of $11,623 per sqm, compared to a benchmark of $7,951 per sqm. Specialty tenants report an average occupancy cost of 9.4%, which is much lower than the Urbis benchmark of 13.4%. The Manager sees this provides a unique opportunity to actively manage the Property to optimise the tenancy mix to increase the rental income profile at the Property.

The Manager will also pursue multiple Value-Add strategies including exploring options to develop the surplus land, installation of solar panels that will be on sold to tenants. The surplus land has an existing Development Approval to provide an additional 1,100 sqm of Gross Lettable Area for the Property. The Manager expects the development will only be undertaken with major lease pre-commitments in place and will be funded through the Trust's existing capital.

The Fund also enables Centennial to provide investment oversight for the Property as well as the Manager, by way of Centennial's interest in Parkstone Funds Management.

Liquidity

The Fund has an initial term of 5-7 years. The investment term is dependent on the decision of the Trustee of the Parkstone Retail No 1 Unit Trust which is expected to be at least 5 years. The Parkstone Retail No 1 Unit Trust can be terminated at any time through the sale of the asset or extended by a majority vote of its unitholders. If the Fund has a majority of units in the Parkstone Retail No 1 Unit Trust, the Fund will control any vote.

The Trustee of the Parkstone Retail No 1 Unit Trust may sell or dispose of the Property at any time if it considers it to be in the best interests of unitholders. Investors should view the Fund as being illiquid with the only form of exit being via a sale of the Property by the underlying Parkstone Retail No 1 Unit Trust, or an off-market transfer of units.

The Property

Hinkler Central ("the Property") is a Sub-Regional Shopping Centre located in Bundaberg Central, on the central coast of Queensland, approximately 365 km north of Brisbane. The Property is an enclosed, single level shopping centre on a 4.9 hectare site, with gross lettable area of 20,791 sqm. The centre was originally constructed in 1978, with a major extension, refurbishment and amalgamation of two Centres completed in 2006. The Centre is anchored by Kmart discount department store, Woolworths and Coles supermarkets, 3 Mini Majors (The Reject Shop, Priceline and Hinkler Family Practice) and 56 specialty tenants, 9 kiosks, 4 ATMs with parking for 1,066 vehicles (including 734 basement car spaces, accessing the Centre via two travelators, lifts and stairs). The Centre is situated in a fringe central business district location with a public transport bus stop located in front of the Centre, on Maryborough Street. The Property is one of two Sub-Regional Shopping Centres in Bundaberg and trades strongly with total centre sales of $229M (including GST), and all major tenants trading significantly above benchmark levels.

The Centre is located adjacent to Saltwater Creek, which flows from the Burnett River. In January 2013 the Centre suffered water damage as a result of the record flooding to Bundaberg, following Tropical Cyclone Oswald. The Centre reopened after 6 months, with extensive refurbishment and has installed new flood control barriers around the travelators, which has been modelled to cover a 1 in 20-year event of flooding. In June 2023 the Commonwealth and Queensland Governments agreed to construct a 1.7 km concrete levee along the southern bank of the Burnett River, at a cost of $175M, to provide enhanced protection against flooding. The Centre has not experienced any significant water damage since the installation of the flood barriers in 2013, with insurance overage in place should it be required.

Figure 2: Property metrics

Property	Acqn Date	Site Area	GLA	Key Tenants	Valn	Initial Yield	Occupancy %	WALE by income
Hinkler Central	31 Jan 2024 (expected)	48,530 sqm	20,791 sqm	Kmart, Woolworths, Coles	$107.0M	7.35%	99.4%	3.2 years

Source: Centennial

Figure 3: Hinkler Central

Source: Centennial

Property Valuation

An independent valuation was undertaken in September 2023, which valued the Property at $107.0M, in line with the acquisition price. A summary of the draft valuation metrics is provided below.

Figure 4: Valuation Metrics

Metric	Hinkler Central (16 Maryborough Street, Bundaberg Central, QLD)
Title	Freehold
Acquisition date:	31 January 2024 (expected)
Ownership	100%
Site Area	48,530 sqm
Gross Lettable Area	20,791 sqm
Major Tenants (% GLA)	Kmart (30.1%), Woolworths (17.1%), Coles (16.4%)
Weighted Average Lease Expiry	3.7 years (by area) 3.2 years (by income)
Occupancy	99.4% (by area)
Initial net passing income (existing)	$7.9M
Net Market income (fully leased)	$7.9M
Purchase price	$107.0M
Valuation	$107.0M
Passing initial yield	7.35%
Capitalisation rate	7.25%
Valuer	Savills
Valuation Date	September 2023
Valuer's Discount Rate	8.00%
Value per sqm	$5,146
Valuer's unleveraged 10-year IRR	7.83%

Source: Savills

Bundaberg City & Retail Trade Area Analysis

Bundaberg is located on the Central Coast of Queensland, around 365 km north of Brisbane. The Bundaberg region has a population of over 100,000 people (2021), with over half the population located in the urban area. Bundaberg is the 13th most populous area in Queensland, larger than Rockhampton (83,000), Gladstone (64,000) and Noosa (57,000) and is the second fasted growing city in Queensland with 7.1% growth in Gross Regional Product (GRP).

The city is sited on a rich coastal plain, supporting one of Australia's most productive agricultural regions. In January 2013 the city experienced record flooding from Tropical Cyclone Oswald, which impacted the Bundaberg economy, including the loss of agricultural output with crop and livestock damage as well as public infrastructure impacts. Significant government funds were committed to the reconstruction of the Bundaberg economy and the city continued to grow at an average annual growth rate of around 800 persons.

The Bundaberg economy is estimated to have a Gross Regional Product (GRP) of $5.1 billion, with key industries being agriculture, forestry, fishing and tourism. The city has a major distillery and brewing industry. Bundaberg is Queensland's second fastest growing city with 7.1% growth in Gross Regional Product (GRP).

A review of the retail trade area by LocationIQ, a specialist retail and demography research and consulting business, provides a demographic profile of the Property. Some of the key findings are summarised below.

- The Main Trade Area population is estimated at 97,650 (2021), with 55,840 people in the Primary Trade. By 2031 the Main Trade Area population is expected to increase by 1.0% p.a. The growth rate is just below the forecast for Queensland of 1.1% p.a., and Australia of 1.3% p.a.
- The housing status of the total trade area consists of 70.1% of residents owning their own home, which is higher than the Queensland average (66.6%) and Australian average (67.4%).
- Overall, the Main Trade Area is characterised as generally being of older age with a higher proportion of Australian born persons. Income levels are lower than the Queensland average, and lower than the Australian average.
- The Main Trade Area spend for the Property was $1.3 billion in 2022, with 50% of this expenditure being on food and liquor. Overall expenditure is forecast to grow at 3.3% p.a. by 2041 with higher growth expected from food, liquor and food catering.

Figure 5: Population statistics

	Actual	Forecast Growth (p.a.)	
Population	**2021**	**2022-26**	**2026-31**
Primary Trade Area	55,840	0.9%	0.9%
Secondary Trade Area	41,810	1.1%	1.1%
Main Trade Area	**97,650**	**1.0%**	**1.0%**
Rest of Queensland		1.2%	1.1%
Australia Average		1.3%	1.3%

Source: LocationIQ based on ABS data

Figure 6: Main trade area – average household income levels

Main trade area analysis as at 2021 Census	Main Trade Area	Rest of QLD Average	Australian Average
Average Age	44.4	40.7	39.5
Birthplace - Overseas	12.6%	18.5%	28.0%
Average Household Size	2.3	2.4	2.5
Family Type – Couple with Dependent Children	32.8%	40.1%	44.2%
Housing Tenure - Owned	70.1%	66.6%	67.4%
Average per capita income ($)	$42,237	$50,592	$55,301
Average household income ($)	$79,654	$97,780	$109,594

Source: ABS, Location IQ

Figure 7: Expected retail expenditure growth in the main trade

Total Trade Area retail spend		2022 Actual ($M)	2041 Forecast ($M)	Average Annual Growth Rate
Retail expenditure		**$1,339**	**$2,497**	**3.3%**
-	Food & liquor	$664	$1,276	3.5%
-	Food catering	$122	$257	4.0%
-	Apparel	$100	$174	3.0%
-	Household Goods	$245	$427	3.0%
-	Leisure	$56	$98	3.0%
-	General Retail	$114	$198	3.0%
-	Retail Services	$38	$66	3.0%

Source: LocationIQ based on MarketInfo

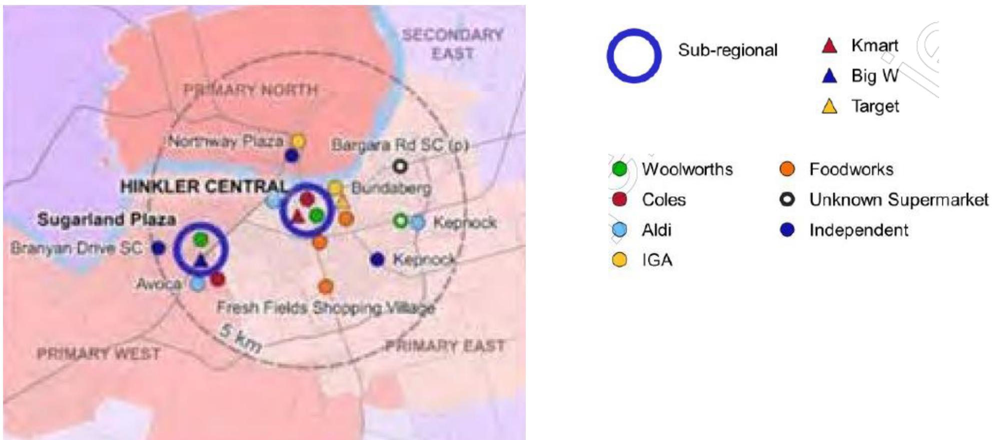
Competition - Hinkler Central is one of two Sub Regional Shopping Centres in the Bundaberg urban region. The other Sub Regional Centre, Sugarland Plaza, is located 4.5 km to the west, close to the airport, and is similar to Hinkler – an enclosed single level Sub-Regional Centre constructed in 1978, anchored by Big W, Woolworths, 4 mini majors and 58 specialty tenants, with GLA of 23,500 sqm and Total Centre Sales of around $203M. Sugarland Plaza was previously known as Stockland Bundaberg, before it was sold in 2021 for $140M on a 6.75% capitalisation rate. The following table shows a number of other standalone retail shops located in the CBD (1.2 km distance) as well as neighbourhood centres within 10 km.

Figure 8: Main competition

Location	Type	Distance from Hinkler Central	GLA	Details
Hinkler Central	**Sub Regional**	**NA**	**20,800 sqm**	**Anchored by Kmart (6,260 sqm), Woolworths (3,548 sqm), Coles (3,415 sqm)**
Target	Standalone	1.2 km	6,770 sqm	Target (6,770 sqm)
IGA	Standalone	1.2 km	2,400 sqm	IGA (2,400 sqm)
Sugarland Plaza (formerly Stockland Bundaberg)	Sub Regional	4.5 km	23,500 sqm	Big W (8,173 sqm), Woolworths (4,200 sqm)
Bundaberg Plaza	Neighbourhood	0.2 km	3,000 sqm	Aldi (1,400 sqm)
Northway Plaza	Neighbourhood	2.3 km	4,800 sqm	IGA (2,600 sqm)
Kepnock	Neighbourhood	3.8 km	2,500 sqm	Aldi 1,600 sqm)
Southside Central SC	Neighbourhood	4.5 km	2,500 sqm	Foodworks (850 sqm)
Kensington SC	Neighbourhood	4.8 km	6,000 sqm	Coles (4,600 sqm)
Branyan Drive SC	Neighbourhood	6.0 km	1,200 sqm	IGA (700 sqm)

Source: Location IQ, Savills

Figure 9: Main trade area and competition map



Source: Location IQ

Tenants, leases and income

The Shopping Centre has a Weighted Average Lease Expiry (WALE) of 3.2 years (by income). Some of the key aspects of the tenants and leases, include:

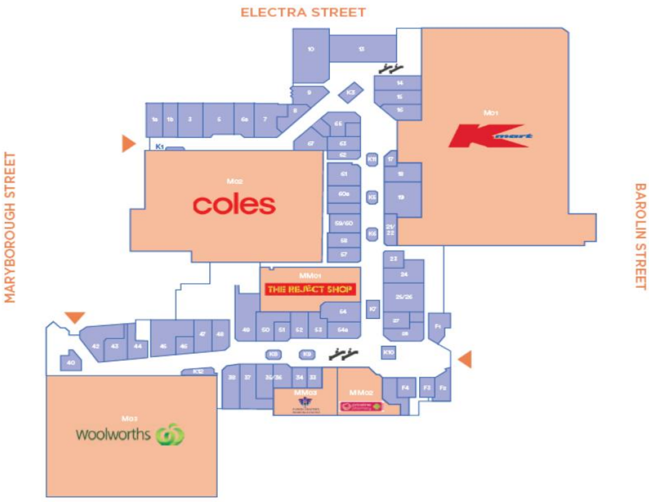
- **Centre Sales:** The Centre currently reports Moving Annual Turnover (MAT) of $229M p.a., (inclusive of GST) with all Major tenants generating sales in excess of benchmark levels.
- **Occupancy Costs:** The strong sales across the Centre have benefitted tenants with Occupancy Costs tracking at the low/bottom end of Urbis benchmark ranges. A small number of leases (7 tenants, ~8% of income) are subject to capped Occupancy Costs clauses.
- **Major Tenants represent 63.6% of GLA or 35.4% of gross income:**
    - Kmart is the largest tenant in the Centre with 6,260 sqm, or 30.1% of the GLA. The Kmart lease is for 15 years, commencing in July 2015 until July 2030, with one 5-year option to extend. The lease is subject to rent review every 3 years with rent increases determined by a formula based on store turnover growth in excess of $24M with the store currently paying turnover rent. Sales productivity at the store is 42% above benchmark levels at $5,394 per sqm (versus benchmark of $3,783 per sqm). Occupancy costs of 5.5% are lower than the typical occupancy cost ratio of 6% - 8%.
    - Woolworths occupies 3,548 sqm or 17.1% of the GLA. The Woolworths lease is for 25-years, commencing in March 2000 until 2025, with 3x5-year options to extend. The store performs strongly with turnover of $61M and is currently paying turnover rent for the portion of sales in excess of $30M. Sales productivity at the store is 22% above benchmark levels at $16,262 per sqm (versus benchmark of $13,358 per sqm).
    - Coles occupies 3,145 sqm or 16.4% of the GLA. The lease is for 20.8 years, commencing in March 2006 until December 2026, with a 6-year option to extend. The store performs strongly with turnover of $55M and is currently paying turnover rent based on a formula for growth in sales from the commencement of the lease. Sales productivity at the store is 13% above benchmark levels at $15,098 per sqm (versus benchmark of $13,358 per sqm).

Figure 10: Tenancy summary

Type	No	MAT Sales $M	MAT per sqm	Benchmark (Urbis)	Occupancy Cost	Benchmark
Kmart	1	$34M	$5,394	$3,783	5.5%	6.0% - 8.0%
Woolworths	1	$61M	$16,262	$13,358	1.9%	2.5% - 3.5%
Coles	1	$55M	$15,098	$13,358	2.7%	2.5% - 3.5%
Total Majors	**3**	**$150M**	**$11,349**	**$8,162**	**3.0%**	**NA**
Mini Majors	**3**	**$9M**	**$8,659**	**$5,550**	**9.5%**	**NA**
Specialties	**56**	**$65M**	**$12,386**	**$8,429**	**9.4%**	**13.4%**
Kiosks/ATMs	**13**	**$5M**	**$29,510**	**NA**	**12.0%**	**NA**
Total Centre	**75**	**$229M**	**$11,623**	**$7,951**	**5.3%**	**NA**

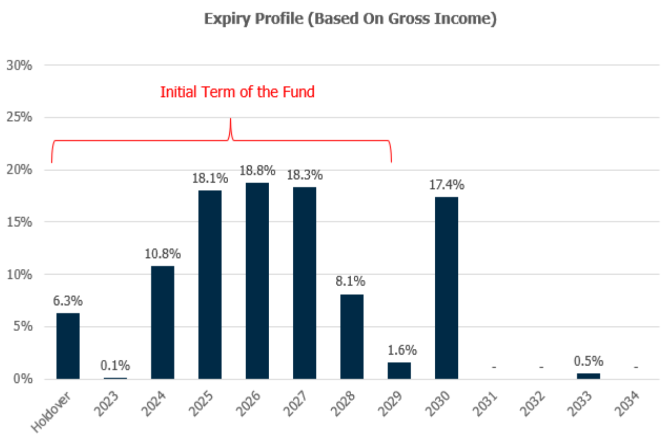
Source: Centennial

Figure 11: Hinkler Central floorplan



Note: Not to scale. Source: Centennial

Figure 12: Property lease expiry (by gross income)



Source: Centennial

Sales & Rental Evidence

Sales Evidence - The table below compares the Property to recent transactions for Sub-Regional Shopping Centres since June 2022.

Figure 13: Recent transaction evidence

Property	State	GLA (sqm)	Sale Date	Sale Price	Yield	Price per sqm
Stockland Bull Creek	WA	16,958	Jun 22	$78.0M	6.05%	$4,600
Shepparton Marketplace	VIC	15,627	Sep 22	$88.1M	6.21%	$5,484
Stockland Gladstone	QLD	29,240	Nov 22	$139.0M	6.80%	$4,699
Beenleigh Marketplace	QLD	16,992	Dec 22	$85.0M	6.68%	$4,502
Stockland Riverton	WA	19,156	Dec 22	$98.8M	7.30%	$5,155
Forest Hill Chase	VIC	60,498	Dec 22	$256.5M	7.06%	$4,108
Sunshine Marketplace	VIC	34,153	Jan 23	$66.0M	6.53%	$3,843
Stanhope Village	NSW	18,064	Feb 23	$158.0M	5.73%	$8,747
Gateway Plaza	VIC	17,526	Mar 23	$70.1M	6.77%	$3,606
Deepwater Plaza	NSW	17,417	Apr 23	$111.0M	6.86%	$6,373
Settlement City	NSW	19,563	Jul 23	$102.4M	7.04%	$5,234
Stockland Townsville (50%)	QLD	44,930	Jul 23	$115.0M	9.20%	$5,119
Hinkler Central (expected)	**QLD**	**20,791**	**Dec 23**	**$107.0M**	**7.35%**	**$5,146**

Source: Savills

Rental Evidence - The independent valuer has assessed the net passing income of the Property to be in line with the estimated net market income for the Centre.

Capex

The Manager is forecasting $5.9M of capital expenditure over five-years, which is in line with the assumptions of the independent valuer. The Manager is also factoring in $1.2M of leasing fees and incentives. The amount is expected to be funded through an additional $7.1M draw down from the debt facility.

Financial Analysis

Core Property has reviewed the 5-year forecasts as presented in the Information Memorandum. The key observations are:

- The forecasts assume the Fund will acquire and settle the Property on 31 January 2024.
- Assumes a debt facility of $58.8M is established on settlement. The forecasts make an allowance for an all-in cost of debt of 6.19% p.a. The final debt terms have not yet been finalised and may increase or decrease forecasted returns.
- The Manager has factored in income support from an additional $7.1M of debt which will be used to pay for Leasing & Incentives as well as Capital Expenditure.
- The forecasts assume a base scenario for leases to be renewed at passing income levels and does not factor in any additional upside from the Manager's strategy targeting higher rental growth.
- The forecasts do not factor in any potential development of the Property.
- The forecasts include higher insurance costs for the Property with new standalone insurance policies in place. The Property will continue to be covered for flood damage, with insurance costs being recovered from tenants.
- The Manager is forecasting initial distributions of 7.91% during the first year. Average distributions over 5 years is forecast to be 8.29% (range of 7.68% - 8.86%).

A summary of the Manager's forecasts from the Information Memorandum is presented below.

Figure 14: Profit & Loss Forecast

Profit & Loss - Forecast $M	Year 1	Year 2	Year 3	Year 4	Year 5
Parkstone Retail No 1 Unit Trust					
Gross Income	13.6	13.6	14.1	14.6	15.1
Outgoings	-4.5	-4.6	-4.7	-4.8	-5.0
Net Income	**9.1**	**9.0**	**9.4**	**9.8**	**10.2**
Leasing & Incentives	-0.3	-0.2	-0.2	-0.3	-0.2
Total Capex	-1.1	-1.2	-1.2	-1.2	-1.2
Drawdown of Debt	1.5	1.3	1.4	1.6	1.4
Total Management and Admin Fees	-0.8	-0.8	-0.8	-0.9	-0.9
Debt Interest	-3.7	-3.7	-3.7	-3.8	-4.1
Total Available for Distribution	**4.6**	**4.5**	**4.9**	**5.1**	**5.2**
Total Distribution	4.6	4.5	4.9	5.1	5.2
Total Distribution per unit	**7.91 cpu**	**7.68 cpu**	**8.30 cpu**	**8.68 cpu**	**8.86 cpu**
Centennial Hinkler Central Trust					
Distribution Received – per unit	7.91 cpu	7.68 cpu	8.30 cpu	8.68 cpu	8.86 cpu
Distribution Paid to investors – per unit	7.91 cpu	7.68 cpu	8.30 cpu	8.68 cpu	8.86 cpu

Source: Centennial, Parkstone

Figure 15: Balance Sheet – pro forma estimate on acquisition

Forecast Balance Sheet – $M	on acquisition (est 31 January 2024)
Cash (working capital)	2.0
Investment Property	107.0
Total Assets	**109.0**
Bank Borrowings	58.8
Total Liabilities	**58.8**
Net Assets	**50.2**
Units on issue (M)	58.7
Debt/ Total assets	**54.0%**
Loan To Value Ratio (LVR)	**55.0%**
NTA per unit	**$0.85**

Source: Centennial, Core Property

Sources and application of funds / NTA

The following table shows how the Fund intends to use the funds being raised and the impact that costs have on the underlying Net Tangible Assets (NTA). The underlying NTA is an important consideration. It should be assessed in the context of statutory costs and fees paid to the Manager, which dilute investors' return over the term of the Fund. Core Property has calculated the NTA at $0.85 per unit, based on the acquisition of the Property by the Fund, with most of the dilution coming from acquisition costs (stamp duty).

Figure 16: Sources and application of funds / Underlying NTA

Sources and application of funds	Amount	% of total funds
Sources of funds	$M	
Equity subscriptions	$58.7	49.9%
Bank debt	$58.8	50.1%
Total sources of funds	**$117.5**	**100.0%**
Application of funds		
Purchase price (net)	$107.0	91.0%
Acquisition costs (stamp duty)	$6.2	5.2%
Fund/debt establishment costs	$0.2	0.2%
Manager's Fee	$2.1	1.8%
Working Capital	$2.0	1.7%
Total application of funds	**$117.5**	**100.0%**

Underlying NTA	$ per unit
Issue Price	$1.00
Less:	
Acquisition costs	-$0.10
Fund establishment costs	-$0.01
Property Acquisition Fee	-$0.04
NTA per unit	**$0.85**

Source: Core Property

Debt Facility & Metrics

The Manager has indicative terms to establish a debt facility to facilitate the acquisition of the Property. The debt will be held and secured on the assets in the Parkstone Retail No 1 Unit Trust. No debt is held in the Centennial Hinkler Central Trust.

- The debt facility is expected to have a limit of $66.9M, or 62.5% of the acquisition price of the Property. The initial draw down is $58.8M, which provides $8.1M of additional debt capacity. The Manager is currently forecasting $7.1M of additional debt to fund Leasing Costs & Incentives and Capital Expenditure.
- The initial Loan to Value Ratio (LVR) is estimated at 55%. Based on an LVR covenant of 62.5%, Core Property estimates that the valuation of the Property would need to fall by 12.0% before the LVR covenant is reached. Core Property notes the Fund is expected to have initial Working Capital of $2.0M which, if used to pay down debt, would reduce the LVR to 53.1%
- The initial Interest Coverage ratio (ICR) is estimated to be 2.5x. Based on an indicative ICR covenant of 1.5x, Core Property estimates that net income may fall by 40.4% before the ICR covenant is reached.
- The Manager has factored in an initial all-in-cost of debt of 6.19% p.a.

Investors should note the debt facility is subject to finalisation which is expected by settlement on 31 January 2024. Any change in the terms and cost of debt may impact distributions and returns. A summary of the indicative debt terms is provided below.

Figure 17: Debt Metrics – indicative

Details	Metric
Bank	Major Australian bank
Security	First ranking mortgage secured on the Property held in the Parkstone Retail No 1 Unit Trust
Initial Drawn Debt / Debt Facility Limit	$58.8M / $66.9M
Loan Period	3 years
% Hedged	Nil
Average cost of debt	6.19% p.a. (year 1)
Initial LVR / LVR Covenant	55.0% / 62.5% (est.)
Interest cover ratio / ICR covenant	2.5x / 1.5x (est.)
Amount by which valuation will have to fall to breach LVR covenant	12.0%
Decrease in net income to breach ICR covenant	40.4%

Source: Centennial, Core Property

Fees Charged by the Fund

All fees and expenses are incurred by the Underlying Trust, the Parkstone Property Trust. The Centennial Hinkler Central Trust does not charge any additional fees or expenses to investors. Centennial will not receive any fees from the Centennial Hinkler Central Trust. Centennial will, however, be entitled to a payment from Parkstone Funds Management, based on the Fund's proportionate share of the Acquisition Fee. For example, if the Centennial Hinkler Central Trust subscribes for 50% of the total equity then Centennial will be entitled to a payment based on 50% of the Acquisition Fee. The payment is paid to Centennial to cover the costs of the establishing the Fund.

Overall, Core Property considers the fees charged to be low when compared to similar products in the market.

Figure 18: Summary of Fees charged

Fee Type	Fee Charged	Core Property Comment
Entry Fee:	Nil	The Fee is in line with market practice for closed ended property funds.
Exit Fee:	Nil	The Fee is in line with market practice for closed ended property funds.
Acquisition Fee:	2.0% of the purchase price of the Property payable to Parkstone Funds Management Pty Ltd.	Core Property considers the Fee to be at the high end of the industry average of 1.0% - 2.0%.
Management Fee:	0.60% p.a. of the Gross Asset Value of the Fund will be payable to Parkstone Funds Management Pty Ltd.	Core Property considers the Management Fee to be at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Disposal Fee:	0.7% of the gross sale price of the Property.	Core Property considers the fee to be at the low end of the industry average of 1.0% - 2.0%.
Performance Fee:	20% of the outperformance over an Equity IRR of 10.0%.	Core Property considers the hurdle rate to be higher than current market levels of around 8%. Core Property considers this to be an appropriate incentive for the Manager.

Source: Centennial, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the Manager over the term of the Fund as a percentage of all cash flow generated after deducting interest costs but before management fees and performance fees. Core Property estimates the Manager is entitled to 6.4% of the total cash flow. Core Property considers the fees paid to the Manager to be at the low end of the range when compared to similar products, which are typically around 7% - 9%. Core Property estimates that 33.5% of the Manager's fees are paid upfront. Core Property stresses that these estimates of how much investors will receive are not guaranteed amounts.

Figure 19: Fees in Perspective – over 5 years

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.58
Total cash to investors:	**$1.58**
Acquisition fee:	$0.04
Base management fee:	$0.06
Disposal fee:	$0.02
Fees for the RE (excluding disposal/admin):	**$0.11**
Total cash generated by Fund:	**$1.69**
Fees = % of total cash generated (before fees)	6.4%
Up-front fee as a % of total fees	33.5%

Source: Core Property estimates

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).

Core Property has estimated the total return for the Fund based on the assumptions provided by the Manager.

On a base case scenario, Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 9.9% - 12.3% p.a. (midpoint 11.1% p.a.) The calculation is based on our consistent practice adopted across all unlisted fund ratings of assuming the capitalisation rate remains constant at 7.25% with a +/-25bps sensitivity. Our estimates also do not take into account potential upside that the Manager is targeting from its Value-Add strategy to increase rental income, tenancy mix and potential development.

Investors should be aware that the Manager is targeting an IRR of in the range of 13% - 15% p.a.

- The Manager estimates a base case IRR of 13% based on a -50bp movement in the terminal capitalisation rate to 6.75%.
- The Manager estimates an upside scenario IRR of 15% based on a -50bps movement in the terminal capitalisation rate to 6.75% with additional upside from positive rental reversion from certain tenancies.

Investors should be aware the valuation of the Property will be driven by a combination of factors which include the Property metrics as well as overall market conditions, and an IRR outside this range is possible.

Figure 20: Pre-tax, 5-year IRR (after fees after all fees) sensitivity analysis

Estimated IRR	**Average Cost of Debt**				
Terminal cap rate	**5.69%**	**5.94%**	**6.19%**	**6.44%**	**6.69%**
6.75% (Manager target)	13.5%	13.3%	13.1%	12.9%	12.7%
7.00%	12.5%	12.3%	12.1%	11.9%	11.7%
7.25% (base)	11.6%	11.3%	**11.1%**	10.9%	10.7%
7.50%	10.6%	10.4%	10.2%	9.9%	9.6%
7.75%	9.6%	9.3%	9.0%	8.7%	8.4%

Source: Core Property

Management & Corporate Governance

The underlying fund, the Parkstone Property Trust, is managed by Parkstone Funds Management.

- Parkstone Funds Management Pty Ltd is a privately owned boutique investment and funds management business. The business is based in Adelaide SA and has a focus on higher yielding passive income retail assets anchored by ASX-listed non-discretionary tenants across Australia, with a specialisation in supermarket anchored neighbourhood shopping centres. The Parkstone team takes an active role in the management of assets, with a focus on delivering optimum returns for investors. Since the business was established in 2018, Parkstone has acquired over $130M of assets across 8 funds.

The Centennial Hinkler Central Trust will acquire units in the Parkstone Hinkler Central Trust.

- Centennial was established in 2012 by Jonathan Wolf and Lyle Hammerschlag and has been involved in over $2.4 billion of property transactions. Centennial currently has in excess of $1.8 billion in Assets Under Management. Centennial has raised $1.4B in equity with a weighted average Internal Rate of Return (IRR) of ~22% delivered for investors which include high net worth individuals, family offices and institutions. Centennial operates as a boutique, private equity style property manager focusing on identifying value added opportunities. The Board of Centennial consists of Executive Directors with extensive experience within the property and funds management sectors.

The Board of Parkstone Funds Management includes Paul Ford, a Non-Executive Director. As part of the transaction, Centennial will acquire a stake in the Parkstone Funds Management and will appoint an additional Non-Executive Director position (Jonathan Wolf/Lyle Hammerschlag) to the Board of Parkstone Funds Management.

Core Property considers the Fund provides a focus on Parkstone's strong retail and property development experience combined with oversight from Centennial management. Core Property considers the retail expertise of Parkstone management is complemented with the investment experience of Centennial to provide a structure with the relevant skills and experience to operate the Fund successfully.

Figure 20: Board and Management Team - Parkstone Funds Management

Name & Role	Experience
Grant Kelley Director	Grant has over 30 years of global experience in real estate management, corporate strategy, funds management and private equity. He has served as the Chairman of Holdfast Assets since September of 2008, which manages and owns key agricultural, sporting and tourism assets. Grant has also served as the Chairman and Owner of Adelaide Basketball Pty Ltd, holding the licence for four-time NBL champions, the Adelaide 36ers, since 2016. Previously, Grant was Chief Executive Officer at Vicinity Centres from 2018 to 2022 and of City Developments Limited from 2014 to 2017. Prior to that, he served as Co-Head of Asia Pacific at Apollo Global Management for four years, worked at Colony Capital as both Chief Executive Officer and Principal and at Booz Allen Hamilton as Principal, where he commenced his career in 1989. Grant also serves as Councillor to the Asia Society Policy Institute, is past Deputy Chairman at Pulteney Grammar School and was a member of the SA Premiers Economic Council 2020 to 2022. Grant holds a Bachelor of Law degree from the University of Adelaide, a Masters of Economic Sciences from the London School of Economics, and an MBA from Harvard Business School.
Christopher Day Director	Christopher is an experienced property and finance professional specialising in syndicated debt lending and property development both locally and internationally for the past 25 years. Upon returning to Australia in 2005 Christopher established a property development business involved in projects between $2.5M to $35M and these projects have spanned a variety of asset classes with a focus on the essential service businesses within retail and industrial and logistics sectors. Christoper has a long history of developing a number of retail properties for major retail tenants which have included Woolworths, Foodland, IGA, Drakes, Harvey Norman, Spotlight and Anaconda. Chris holds a Bachelor Business (Property) from the University of South Australia.
Justin Mills Senior Advisor	Justin has over 25 years of domestic and international experience in property operations, funds management, corporate strategy, corporate affairs, innovation and technology across private, listed and unlisted property. Justin has held several senior management positions including General Manager Property Operations and Alternative Income at Novion Property (formerly Colonial First State Property) and Executive General Manager Shopping Centres at Vicinity Centres following the 2015 merger between Novion and Federation Centres. Justin has been heavily involved with iconic shopping centre, Chadstone for over 20 years in various roles and contributed to its significant growth in sales, developments and valuation. Justin holds a Bachelor of Business degree, Master of Business Administration from RMIT Melbourne and is a member of the Australian Institute of Company Directors.
Tim Wilkin Managing Director	Tim is an Associate Member of the Australian Property Institute and the Managing Director of Parkstone. Prior to this appointment, Tim held executive positions within the property divisions of both Woolworths Limited and Wesfarmers. During this time, he was responsible for establishing the property strategy and delivery of new store growth in regions across all states and territories of Australia. During his career, Tim has also worked in the retail property sector for Colliers International in both the Commercial Agency and Valuation divisions in both South Australia and Northern Territory. Tim has over 20 years' industry knowledge and expertise in the management of centres and draws on his connections and associates in the property industry to enable him to be across and aware of any potential on-market acquisitions or "off-market" opportunities before they hit the open market. Tim holds a Bachelor of Business (Property) from the University of South Australia and is an Associate Member of the Australian Property Institute.

Jarrad Dunn Non-Executive Director	With over 25 years of experience in accounting and business advisory, Jarrad is a director and co-founder of accounting firm, Oreon Partners. Further to providing regular advice to clients in regards to developments and property taxation, Jarrad has undertaken and managed a number of development projects himself over the years and for many years was a co-owner of Proactive Property, a company specializing in large scale warehouse developments in SA and NSW. Jarrad provides all accounting and taxation advice for Parkstone. Jarrad holds a Bachelor of Commerce, is a Fellow of the Institute of Chartered Accountants and has a Graduate Certificate in Financial Planning.
Jeff Klaebe Portfolio Asset Manager	Jeff Klaebe has over 20 years of experience in the retail property management sector managing over $500M of assets across listed and unlisted property funds. Prior to joining Parktone in January 2023 he held management positions over his 20 years with Savills most recently State Director of Asset Management. In this role he was responsible for the management of over $1.0B of commercial assets across four states (SA, NT, QLD and NSW). He has also successfully managed the redevelopment and expansions of multiple Regional Shopping Centre's. Jeff holds a Certificate IV in Property Services (Real Estate) and is a registered Property Manager.
Paul Ford Non-Executive Director	Paul has over 20 years of experience in real estate, funds management and private equity with $5.0B in capital transactions and $3.0B in equity raising. Since 2018 Paul has held a position on the Board & Investment Committee for the Centennial Property Group and operates as the CEO of Centennial's Industrial and Logistics division. Prior to joining Centennial Paul spend over 10 years with Charter Hall, where as Industrial CEO he ran and grew the national industrial and logistics portfolio to Australia's second largest (>$5.5B FUM) from inception. Paul holds a Bachelor of Business Property from the University of South Australia.
Jonathan Wolf Non-Executive Director (Alternate Director)	Jonathan is a founding partner of Centennial and has driven significant growth since establishing the Group in 2011, overseeing more than $2.6B in real estate transactions. Jonathan will serve as an Alternate Director on the Board of Parkstone, representing the interests of Centennial. At Centennial, Jonathan is an Executive Director and Chief Investment Officer and leads the capital transactions, property lending and asset management teams with a strong focus on the generation and execution of new transactions, along with deal structuring and client relationship management.
Lyle Hammerschlag Non-Executive Director (Alternate Director)	Lyle will serve as an Alternate Director on the Board of Parkstone, representing the interest of Centennial. At Centennial Lyle manages a team of property and funds management professionals who are responsible for more than 38 unlisted property funds. A founding partner of Centennial, Lyle is a member of the Centennial Board and Investment Committee and is an Executive Director of the Private Wealth division and Chief Operating Officer. Prior to establishing Centennial, Lyle held roles with Charter Hall and Stockland that spanned real estate, finance, transactions, and research and analytics.

Source: Parkstone, Centennial

Compliance and Governance

The Manager, Parkstone Funds Management, operates under an Australian Financial services License (AFSL No 526885). As part of the license, Parkstone is required to have a Compliance Plan and Conflicts of Interests Policy in place to ensure compliance with its AFSL, the Corporations Act, the Constitution, ASIC requirements and applicable laws. The Compliance Plan also addresses the managing of resources, dispute resolutions and risk controls to administer the Fund's assets.

Centennial will also provide investment oversight of Parkstone Funds Management, with a 10% interest in the business and the appointment of a Director to the Board. Centennial has an extensive Compliance Program to ensure:

1. CPG Financial Services Pty Ltd (CPG FS) complies with the conditions of:
    a. its Australian financial services license (AFSL); and
    b. its appointment as intermediary under section 911A(2)(b) of the Corporations Act pursuant to its agreements with other Group members (including the Trustee of the Fund;
2. The Trustee complies with the conditions of its appointments as authorised representatives of CPG FS under section 916A of the Corporations Act.
3. The Board has appointed an Audit and Risk Compliance Committee (ARCC), as well as an independent Chair of the ARCC (being a non-executive appointment) and a Compliance Officer. The committee meets on a quarterly basis to monitor AFSL compliance by all Group members. ARCC also monitors compliance by all reporting entities in the CPG Financial Services Designated Business Group (DBG) with Australian anti-money laundering legislation.
4. The Group's Compliance Program and Manual covers key compliance items such as:
    a. Organisational, Resources and Reporting Structures
    b. Compliance Procedures
    c. Breaches
    d. Outsourcing
    e. Education and Training
    f. Business Continuity/Disaster Recovery Plan
    g. Code of Conduct

h. Conflict of Interest and Related Parties
i. Dispute Resolution and Complaints Handling
j. Financial Resources
k. Human Resources
l. Information Technology
m. Outsourcing
n. Privacy
o. Risk Management
p. Documentation and Marketing

5. Staff training is provided via online training from an external provider (Safetrac) which includes topics such as AML/CTF, non-advice, conflicts of interest, breach reporting, complaints handling and compliance breaches. This is provided as part of the induction process for new employees and refresher for existing employees.

6. The Group utilises a Risk Management Matrix which forms part of the Group's Risk Management Systems. The Risk Management Matrix focuses primarily on the Group's business in relation to the Schemes. It covers topics such as Business, Finance, Investment, Operational, IT and Legal.

7. The Group's risk management procedures, Compliance Program and Manual are reviewed on an annual basis. The Group has access to external expert consultants to assist in the reviews.

8. The Group has established an ESG Committee to execute the Group's ESG strategy with the assistance of CBRE. Areas of focus include:
   - Environment (Energy Management, Water & Biodiversity, Climate Change & Carbon Emissions)
   - Social (Tenant & Customer Engagement & Satisfaction, Employee Satisfaction & Culture, Diversity)
   - Governance (Compliance Training, Cyber Security, ESGB Data & Reporting)

9. Automic is the Group's Registry and ensures compliance with Austrac requirements with regard to AML/CTF.

The Compliance Plan is monitored by external auditors. To ensure responsible governance of the Group, Centennial's board includes non-executive directors, who are also responsible for ensuring that reasonable and appropriate ESG standards are applied. All key investment decisions by the Manager will require to be approved by Centennial's investment committee.

Conflicts of Interests and Related Party Transactions

The following related party transactions have been disclosed by the Fund:

- Centennial will acquire an equity interest in the Manager, Parkstone Funds Management, as part of the transaction.
- Paul Ford, an Executive Director of Centennial, has an equity interest in Parkstone Funds Management and a Non-Executive seat on the Board.
- The Directors, employees and associates of Centennial intend to subscribe for a minimum of 5.0% of the units raised by Centennial. The units will be acquired on the same terms and conditions as investors.
- If the Fund holds more than a 50% interest in the Underlying Fund, the Parkstone Retail No.1 Unit Trust, then it will have majority voting rights.
- Centennial is entitled to receive a payment upon establishment of the Fund. The payment is calculated based on the proportionate share of units that the Centennial Hinker Central Trust holds in relation to the total units on issue, multiplied by the 2.0% Acquisition Fee.
- The Centennial Hinkler Central Trust will not charge any ongoing fees or expenses to investors.

Past Performance

The Manager, Parkstone Funds Management, was established in 2018 and has established 8 investment property funds. Parkstone has advised that it has completed one investment syndicate, delivering an IRR of 37.4% for investors.

Centennial has advised that since 2012, it has undertaken $2.6B of transactions with $1.4B of equity raised. Centennial currently has $1.8B of assets under management and has delivered a weighted average IRR of ~22% for properties sold.

Investors should note that that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

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

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