



ASX Announcement

25 February 2016

New Funds Management Initiative

Elanor Investors Group (“ENN” or “Elanor”) is pleased to announce the establishment of a new multi-asset managed fund, the Elanor Hospitality and Accommodation Fund (“Fund”).

The Fund will comprise a portfolio of 6 Australian Hotels with strong, diversified cash flows and significant redevelopment potential.

The Fund will be seeded by two Elanor owned properties, Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel.

At inception, the Fund will have an asset portfolio of approximately A\$95 million, incorporating the following properties:

Asset	Location	Rooms	Rating
Peppers Cradle Mountain Lodge	Cradle Mountain, Tasmania	86	5 Star
Mantra Wollongong Hotel	Wollongong, NSW	44	4.5 Star
Best Western Port Macquarie	Port Macquarie, NSW	44	4 Star
Best Western Tall Trees	Ainslie, ACT	79	4 Star
Mantra Pavilion Wagga Wagga	Wagga Wagga, NSW	45	4.5 Star
Parklands Resort Mudgee	Mudgee, NSW	68	4 Star

The Fund’s strategy is founded on ENN’s proven track record in originating and actively managing high investment quality hotel accommodation assets to deliver outstanding performance. The Fund provides a diversified Australian hotel portfolio of 6 high investment quality assets, with a total of 366 rooms. The initial portfolio of assets are forecast to provide an average distribution yield of approximately 12% in year one and 13.7% over the first three years based on an asset portfolio at inception of approximately A\$95 million. In addition, the initial portfolio provides opportunities for yield enhancement initiatives as well as a number of significant expansion and development opportunities.

ENN CEO, Glenn Willis, said: “Establishing the Fund reflects the achievement of a key strategic objective of ENN as it represents the inaugural seeding of a fund with Elanor owned properties. Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel are high investment quality assets with strong cash flows that underpin the forecast average distribution yield for the Fund. Importantly, ENN will continue to benefit from the performance of these properties given it will initially hold a co-investment of approximately 40% of the Fund’s equity.

In addition, ENN will benefit from the strong increase in the combined value of Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel since ENN’s inception.”

ENN’s Chief Investment Officer and Head of Hotels Tourism and Leisure, Marianne Ossovani, added: “In addition to focussing on the multiple operational, repositioning and development opportunities presented by the initial portfolio of assets, the Fund intends to make further acquisitions of additional high investment quality hotel assets.

ENN’s asset and investment management team has a strong track record of delivering outstanding performance, including the acquisition of quality assets.”

The acquisition increases ENN’s owned and managed assets to approximately \$585 million.

Elanor Investors Group (ASX:ENN), comprising Elanor Investors Limited (ABN 33 169 308 187) and Elanor Investment Fund (ARSN 169 450 926).| GPO Box 1511, Sydney NSW 2001 | www.elanorinvestors.com



ENN intends to apply the majority of the net proceeds it receives from the transaction to reduce debt. The balance of the net proceeds will be utilised for working capital and future investment purposes.

Overview of Elanor Hospitality and Accommodation Fund

Seed Assets	Peppers Cradle Mountain Lodge, Mantra Wollongong Hotel
Acquired Assets	Best Western Port Macquarie, Best Western Tall Trees, Mantra Pavilion Wagga Wagga, and Parklands Resort Mudgee
Investment Size	\$101.1 million (including transaction costs)
Equity	\$49.0 million
Borrowings	\$52.1 million (55% of purchase price)
Forecast Distributions	Year 1 12% p.a. (annualised), average 13.7% p.a. over 3 years
Manager	Elanor Funds Management Limited (AFSL 398196 / ACN 125 903 031)

Equity Funding

Equity investor interest in the new Fund has been very positive and ENN is in the process of finalising allocations.

Consistent with its strategy of aligning interests with investors, ENN will initially subscribe for a co-investment of approximately 40% of the Fund's equity.

Management Fee Arrangements

The management fees payable to ENN as manager of the Fund are:

- Arrangement and acquisition fee: 1.0% of purchase price of the new (non-seeded) assets, and 0.5% of purchase price of seeded assets, payable at settlement
- Ongoing base management fee: 1.0% of gross asset value of the Fund per annum, payable monthly
- Performance fee: 20% of Fund return (after all fees and expenses) above an IRR hurdle of 12.5%, plus 25% of Fund return (after all fees and expenses) above an IRR hurdle of 20%.

ENDS.

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