



ASX Announcement

18 September 2017

New Funds Management Initiative

Elanor Investors Group ("ENN") is pleased to announce the establishment of a new managed fund, the "Bluewater Square Syndicate", which has acquired the Bluewater Square shopping centre in Redcliffe, Brisbane. Bluewater Square was acquired at a purchase price of \$55.25 million with a 2 year rental guarantee on vacancies.

Bluewater Square, constructed in 2008, is a modern 10,004m² neighbourhood shopping centre centrally positioned in an increasingly densifying mixed-use precinct within the Brisbane metropolitan area, 20km from the Brisbane International Airport and 30km from the Brisbane CBD.

The centre is anchored by a 3,941m² full-line Woolworths supermarket leased to September 2028 (Woolworths have four 5 year options). The centre's sales are growing at 3% p.a. and Bluewater Square has a Weighted Average Lease Expiry of 6.0 years by area (5.0 years by income).

The Woolworths supermarket is complemented by two mini majors (Healthworks Gym and a large Terry White Chemist) and over 30 specialty retailers predominantly focussed on providing services and non-discretionary focussed food offerings. An upper level of office suites is tenanted by three law firms, a medical practice and the Redcliffe Electoral Office.

The acquisition of Bluewater Square represents a passing yield of 7.0% which compares favourably to prevailing Brisbane Neighbourhood shopping centre yields.

ENN CEO, Glenn Willis, said: "We are pleased to have secured Bluewater Square and believe the centre represents excellent value for investors in the Bluewater Square Syndicate. Furthermore, the property has a favourable zoning and 27m height limit, or 9 storeys, across the majority of the 1.356ha site, providing significant expansion opportunities. Following the announcement of the establishment of the Elanor Metro and Prime Regional Hotel Fund on 21 August 2017, the establishment of Bluewater Square Syndicate takes ENN's owned and managed portfolio of assets to approximately \$990 million. This is expected to exceed \$1.0 billion dollars following ENN's co-investment in each of these new managed funds."

ENN's Head of Real Estate, Michael Baliva, said: "Bluewater Square is a modern shopping centre generating stable cash flows by providing convenient access to everyday goods and services for its local trade area. The Bluewater Square Syndicate provides its investors with strong income returns and significant opportunities for capital growth."

Settlement of Bluewater Square is expected to occur in October 2017.



Overview of Bluewater Square Syndicate

Asset	Bluewater Square Shopping Centre, a 10,004m ² neighbourhood shopping centre located in Redcliffe, Brisbane
Anchor Tenants	Woolworths (leased to September 2028 + four 5 year options) with sales growing at 3% p.a.
Investment Size	\$60.35 million (\$55.25m Purchase Price + \$3.34m Stamp Duty + \$1.76m acquisition costs and capital expenditure allowances)
Borrowings	\$33.15 million (59% of purchase price + 82% of capital expenditure)
Equity	\$27.20 million
Forecast Yield	Income Cash Distribution: 8.0% (3 Year Average), 7.7% (Year 1)
Exit Strategy and Investment Horizon	The Manager will review exit / liquidity strategies with an investment horizon of approximately 3 to 5 years, subject to the Manager's discretion
Manager	Elanor Funds Management Limited AFSL 39 8196 / ACN 125 903 031

Syndicate Funding

Total acquisition, stamp duty, transaction costs (incl. fees to ENN) and capital expenditure requirements totalling \$60.35 million will be funded via a bank debt facility of \$33.15 million and syndicate equity of \$27.20 million.

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

Consistent with its strategy of aligning interests with syndicate investors, ENN will co-invest alongside syndicate investors up to 20% of the syndicate equity.

Fee Arrangements

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

- Arrangement and acquisition fee: 1.0% of purchase price, payable at settlement
- Ongoing base management fee: 1.0% of gross asset value per annum, payable monthly
- Performance fee: 25% of Syndicate cash return (after all fees and expenses) above an IRR of 10.0%

ENDS.

For further information regarding this announcement please contact:

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