Home Consortium

ASX RELEASE

19 October 2020

ADDENDUM EXPLANATORY MEMORANDUM – HOMECO DAILY NEEDS REIT

Home Consortium provides the attached Addendum Explanatory Memorandum in relation to the establishment of HomeCo Daily Needs REIT.

-ENDS-

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Authorised for release by the Home Consortium Board.

About HomeCo

HomeCo is an internally managed Australian property group focused on ownership, development and management. HomeCo is built on a platform of big brands and hyper-convenience, with each centre anchored by leading brands backed by some of Australia's most successful property development and retail organisations including predominantly national retailers spanning daily needs, leisure and lifestyle and services enterprises.

Home Consortium

Explanatory Memorandum

Establishment of HomeCo Daily Needs REIT

19 October 2020

This is an important document and requires your immediate attention.

You should read this Explanatory Memorandum in full before deciding whether or not to vote in favour of the Capital Distribution Resolution to facilitate the Proposal and, if necessary, seek advice from your financial, taxation or other professional adviser(s). You may call the HomeCo Securityholder Information Line on +61 1800 754 866 (toll free within Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday (excluding public holidays) if you have any questions.

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Home Consortium Developments Limited
ACN 635 859 700

IMPORTANT NOTICES

This Explanatory Memorandum is issued by Home Consortium (ASX: HMC) (a stapled entity comprised of Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Limited (ACN 635 859 700)) (**HomeCo** or **Home Consortium**).

This Explanatory Memorandum contains details of the Proposal to establish HomeCo Daily Needs REIT and the approvals that are required to implement the Proposal.

Not a prospectus or product disclosure statement

This document is not a prospectus or product disclosure document under Chapter 6D or Part 7.9 of the Corporations Act.

A separate product disclosure statement was lodged with ASIC on 16 October 2020 in connection with the transfer of Units under the Capital Distribution (which was issued by HomeCo) and the issue of Units under the Offer (which was issued by HomeCo Daily Needs REIT) (**PDS**). Goldman Sachs and Macquarie Capital have been appointed by the Responsible Entity as Underwriters to the Offer and, together with Jarden Australia Pty Ltd, Morgans Financial Limited and Ord Minnett Limited, as Joint Lead Managers to the Offer. The Capital Distribution is not underwritten and Goldman Sachs and Macquarie Capital have not acted as joint lead managers or underwriters of the Capital Distribution and therefore do not take any responsibility for managing or underwriting the Capital Distribution.

It is important that you read the entire Explanatory Memorandum and the PDS before voting on the Capital Distribution Resolution to implement the Proposal, and before making any decision to acquire additional Units under the Offer.

ASIC and ASX involvement

A copy of this Explanatory Memorandum has been provided to ASIC and lodged with ASX. Neither ASIC, nor ASX nor any of their respective officers takes any responsibility for the contents of this Explanatory Memorandum.

Information

Certain information in this Explanatory Memorandum is subject to change. If that information is not materially adverse to Securityholders, including with respect to the Capital Distribution, it will be updated and made available to you on the website https://investors.home-co.com.au/investor-centre/ or a paper copy of any updated information will be provided to you (free of charge) by calling the HomeCo Securityholder Information Line on +61 1800 754 866 (toll free within Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday (excluding public holidays). If there is a materially adverse change to the information or a materially adverse omission from this Explanatory Memorandum, HomeCo will issue a new or supplementary Explanatory Memorandum.

Not investment advice

The information provided in this Explanatory Memorandum is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Accordingly, nothing in this Explanatory Memorandum should be construed as a recommendation by HomeCo, or any associates of HomeCo, or any other person concerning an investment in HomeCo Daily Needs REIT.

In considering the Proposal and the prospects of HomeCo Daily Needs REIT, it is important that you consider the risk factors that could affect the financial performance of HomeCo Daily Needs REIT (see section 7 of the PDS) and the risk factors of the Proposal (see Section 3.7). You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and consult your professional adviser before deciding to invest.

Foreign jurisdictions

This Explanatory Memorandum does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register the Units or otherwise permit an offering of Units in any jurisdiction outside of Australia or New Zealand.

The distribution of this Explanatory Memorandum outside Australia or New Zealand may be restricted by law. If you come into possession of this Explanatory Memorandum, you should observe any such restrictions and should seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws.

New Zealand securityholders

This Explanatory Memorandum is not a New Zealand product disclosure statement and it has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the New Zealand Financial Markets Conduct Act 2013 or any other relevant law in New Zealand. This Explanatory Memorandum may not contain all of the information that a prospectus or an investment statement under New Zealand law is required to contain.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Proposal or Capital Distribution described in this Explanatory Memorandum, which is not contained in this Explanatory Memorandum or in the PDS. Any information or representation not contained in this Explanatory Memorandum or the PDS may not be relied on as having been authorised by HomeCo in connection with the Proposal or Capital Distribution.

This Explanatory Memorandum does not constitute an offer to any person in the United States, any US person (as such term is defined in Regulation S under the U.S. Securities Act of 1933) (**U.S. Person**), or any person acting for the account or benefit of a U.S. Person. Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons unless they are registered under the Securities Act or exempt from registration.

This Explanatory Memorandum contains forecast financial information along with forward looking statements which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends”, and other similar words that involve risks and uncertainties. These forecasts and forward looking statements are subject to various risk factors that could cause HomeCo Daily Needs REIT and/or HomeCo's actual results to differ materially from the results expressed or anticipated in these forecasts or statements. These risk factors are set out in Section 3.7 of this Explanatory Memorandum and section 7 of the PDS. These and other factors could cause actual results to differ materially from those expressed in any forecast or forward looking statement made by, or on behalf of, HomeCo Daily Needs REIT or HomeCo.

Financial amounts

Money as expressed in this Explanatory Memorandum is in Australian dollars unless otherwise indicated.

Definitions and abbreviations

Defined terms and abbreviations used in this Explanatory Memorandum are explained in the Glossary at the end of this Explanatory Memorandum.

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IMPORTANT DATES

Event	Indicative Date
Notice of Meeting dispatched to Securityholders	Monday, 19 October 2020
Proxy Form to be lodged with Registry	By 10.30am on Monday, 16 November 2020
Date and time for determining eligibility to vote at the Meeting	7.00pm on Monday, 16 November 2020
Meeting	**10.30am on Wednesday, 18 November 2020**
Effective date	Thursday, 19 November 2020
HomeCo trades without an entitlement to the Capital Distribution on a deferred settlement basis	Monday, 23 November 2020
HomeCo Daily Needs REIT commences trading on ASX on a conditional and deferred settlement basis	Monday, 23 November 2020
Record Date for the Capital Distribution	**Tuesday, 24 November 2020**
Implementation Date - Capital Distribution of Units to Securityholders	Thursday, 26 November 2020
Allotment Date - Issue of Units to investors under the Offer	Thursday, 26 November 2020
HomeCo Daily Needs REIT commences trading on an unconditional and deferred settlement basis	Friday, 27 November 2020
Dispatch of holding statements	Friday, 27 November 2020
HomeCo Daily Needs REIT units commence trading on a normal settlement basis	Monday, 30 November 2020

Note: All dates and times are indicative only and may change without notice. HomeCo reserves the right to vary these dates and times. All dates and times in this Explanatory Memorandum refer to the time in Sydney, Australia.

1. QUESTIONS AND ANSWERS

QUESTION	ANSWER	REFERENCE
Details of the Proposal		
What is the Proposal?	The Proposal involves the establishment of HomeCo Daily Needs REIT (**HomeCo Daily Needs REIT** or the **REIT**) as a new ASX listed real estate investment trust that will acquire 15 stabilised, convenience focused assets and 2 properties under development from HomeCo. Further information on HomeCo Daily Needs REIT can be found in the PDS. It is proposed that HomeCo Daily Needs REIT will be established through a capital reduction of HomeCo and effected via a distribution in specie of ordinary units in the REIT held by HomeCo to Securityholders (**Capital Distribution**).	Section 3.1
What is the rationale for the Proposal?	The substantial growth in HomeCo's asset base and scale provides the foundation for the next phase of HomeCo's 'Own, Develop and Manage' strategy. The Capital Distribution establishes the platform for HomeCo to unlock additional value and growth through further capital recycling and progresses HomeCo towards a capital light model with diversified income streams. The establishment of HomeCo Daily Needs REIT creates the opportunity for Unitholders to gain exposure to a vehicle focused on investing in stabilised, predominately metro-located and convenience based assets targeting consistent and growing distributions. Furthermore, the Proposal will provide both HomeCo and HomeCo Daily Needs REIT with a capital structure and investor base appropriate for their respective strategies, income streams and the assets they will own after the Proposal is implemented. Accordingly, the Proposal is expected, over time, to create greater value for Securityholders than the current structure.	Section 3.2
How do the Directors recommend you vote?	Each Director recommends that Securityholders vote in favour of the Capital Distribution Resolution proposed for consideration at the Meeting. Each Director eligible to vote intends to vote all the Securities he or she holds or are controlled by him or her in favour of the Capital Distribution Resolution.	Section 3.3
What are the main benefits of the Proposal?	The Proposal is expected to provide a number of advantages to Securityholders. The main advantages include: • **Provides the foundation for the next phase of HomeCo's 'Own, Develop and Manage' strategy**: The establishment of HomeCo Daily Needs REIT creates new income streams for HomeCo and greater potential to further leverage its capital base to grow assets under management,	Section 3.5

QUESTION	ANSWER	REFERENCE
	thereby unlocking additional value and growth for Securityholders. • **Enables Securityholders to retain exposure to HomeCo Daily Needs REIT's portfolio**: The construction of the Portfolio and the weighting of the tenant mix towards non-discretionary retail is designed to provide exposure to defensive and sustainable income streams with future growth potential through structural lease escalations and development and acquisition opportunities. • **Increases investor choice**: By establishing two distinct ASX listed vehicles with different investment attributes, existing Securityholders will have the flexibility to consider HomeCo and HomeCo Daily Needs REIT as standalone entities and to adjust their level of investment in each accordingly. • **Facilitates more differentiated capital management**: HomeCo and HomeCo Daily Needs REIT will have the flexibility to further differentiate their capital structures and distribution policies to appropriately reflect their different financial, operational and strategic objectives. • **Provides 100% tax deferred distributions in FY21**: Securityholders will benefit from HomeCo Daily Needs REIT's modern Portfolio which has relatively high levels of depreciation which can be passed on through tax deferred distributions. Distributions from HomeCo Daily Needs REIT are expected to be 100% tax deferred in FY21. • **Reduces gearing in HomeCo**: HomeCo's gearing will be reduced from balance sheet gearing of 32% to look-through gearing of 29% following the proposal, providing additional capacity to fund value and earnings accretive investment opportunities, including seed investments for further funds.	
What are the main disadvantages of the Proposal?	There are a number of disadvantages associated with the Proposal which you should take into account in deciding how to vote. The main disadvantages include: • **Transaction and implementation costs**: Total transaction costs of the Proposal are expected to be approximately \$44.7 million (of which approximately \$21.4 million relates to stamp duty costs). • **Additional ongoing costs for HomeCo Daily Needs REIT associated with being a separately listed entity**: HomeCo Daily Needs REIT will be a separately listed entity on the ASX, which will involve additional corporate costs. • **Dilution of Securityholders**: Securityholder interests in HomeCo will remain unchanged; however their interest in HomeCo Daily Needs	Section 3.6

QUESTION	ANSWER	REFERENCE
	REIT may be diluted following completion of the Offer.	
What are the main risks of the Proposal?	• **Ongoing relationship**: In performing the role of Investment Manager and Property Manager, it is anticipated that HomeCo and HomeCo Daily Needs REIT may act with separate commercial objectives in their dealings in the future. The relevant arrangements are long term in nature. It can be assumed that HomeCo and HomeCo Daily Needs REIT will act in their respective best interests over the term of the arrangements which increases the prospects that commercial interests may diverge and disputes may occur over time. • **HomeCo's credit profile may change**: Following the implementation of the Proposal, HomeCo will continue to maintain a diversified revenue base, stable cash flows and capital management discipline. However, the Group's net assets will be reduced by approximately $208 million (reflecting a decrease in 100% owned assets by $584 million, net debt being reduced by approximately $205 million and the inclusion of HomeCo's 27% co-investment stake in HomeCo Daily Needs REIT valued at approximately $171 million). The asset base reduction will result in lower rental income for HomeCo, but its gearing will not be adversely impacted. The reduction in debt will reduce the ongoing interest costs for HomeCo. Any change of HomeCo's credit profile may affect HomeCo's access to, and cost of, debt. • **Possible adverse stamp duty consequences of the Proposal**: HomeCo has sought stamp duty exemptions in NSW and Western Australia and stamp duty concession in Victoria on the transfer of assets from the Home Consortium Property Trust to HomeCo Daily Needs REIT. If the applicability of those exemptions or concession were denied or withdrawn, that may result in unexpected costs being imposed on HomeCo Daily Needs REIT and those costs may be significant because the stamp duty on transfers of real estate is up to a general rate of 5.5% of the value of the real estate and tangible assets. Queensland stamp duty (calculated at a general rate of 5.75% on the value of the real estate and tangible assets) is payable on the transfer of assets located in Queensland from the Home Consortium Property Trust to HomeCo Daily Needs REIT and no stamp duty exemption is available. Victorian stamp duty will be payable on the listing of HomeCo Daily Needs REIT (i.e. when all of its units are quoted on the ASX), calculated at a rate of 0.55% on the value of the real estate and potentially fixed assets owned by third party tenants in Victoria.	Section 3.7

QUESTION	ANSWER	REFERENCE
	• **Possible adverse accounting and taxation impacts:** The Proposal may result in non-cash movements in the carrying value of assets held by HomeCo, including deferred tax assets, which may impact upon FY21 net profit and the ability of HomeCo to utilise its existing franking credits balance to declare franked dividends. • **Possible adverse taxation consequences of the Proposal**: The Proposal may have potential tax implications for Securityholders. These implications will differ depending on the individual circumstances of the Securityholder. The material Australian income taxation consequences of the Proposal for Securityholders are set out in Section 7. • **Market price of Securities**: It is not possible to predict the market price of Securities or Units following implementation of the Proposal and the combined market value of HomeCo and HomeCo Daily Needs REIT may be lower than the current market value of Securities in HomeCo. • **Damage to the HomeCo brand**: HomeCo Daily Needs REIT will use the "HomeCo" trademark in its company, business and domain names while the Responsible Entity is controlled by HomeCo. There is a risk that activities of HomeCo Daily Needs REIT (including litigation, disputes and its general business conduct) during that time may adversely affect the value and reputation of HomeCo. Further risks are set out in Section 3.7.	
What will the relationship be between HomeCo and HomeCo Daily Needs REIT after the Proposal?	Following the Proposal, the HomeCo Group will maintain an ongoing relationship with HomeCo Daily Needs REIT with regard to the following: • the Responsible Entity, HMC Funds Management Limited, is a wholly owned subsidiary of HomeCo, and the properties in HomeCo Daily Needs REIT's portfolio will be HomeCo branded centres; • two HomeCo directors, David Di Pilla and Greg Hayes, will be directors of the Responsible Entity; • HomeCo, through the Investment Manager and Property Manager, will provide investment and property management services to HomeCo Daily Needs REIT; • HomeCo will maintain an investment in HomeCo Daily Needs REIT and following implementation of the Proposal will have an investment of approximately 27% of Units on issue; and • HomeCo will enter into a voluntary escrow arrangement which prevents HomeCo from disposing of any Units held on Completion for one year.	Section 4.1

QUESTION	ANSWER	REFERENCE
What income will HomeCo receive from HomeCo Daily Needs REIT?	All the costs and fees payable to the Managers under the Management Agreements will be paid out of HomeCo Daily Needs REIT. Amongst others, the Managers are entitled to a base management fee, property management fees and leasing fees. **Investment management fee** The Investment Manager's fee will be 0.65% per annum of Gross Asset Value (**GAV**) (before GST) on GAV up to and including $1.50 billion, and 0.55% per annum of GAV on GAV in excess of $1.50 billion. **Property management fee** The Property Manager is entitled to receive property management fees for performing property management services in relation to the Properties, whether direct or indirect (including through sub trusts). In most instances, property management fees are recoverable from tenants through outgoings. **Leasing fees** The Property Manager is entitled to receive leasing fees for the provision of leasing services in relation to the Properties (as agreed between the Responsible Entity and the Property Manager). Where a third party leasing agent is engaged by the Property Manager to perform these functions, the Property Manager will not receive a leasing fee. **Acquisition fees** The Investment Manager is entitled to receive 1.00% of the acquisition price and 0.50% of the disposal price of any transaction undertaken by HomeCo Daily Needs REIT. There will be no acquisition fees payable on Properties in the Portfolio acquired from HomeCo (including Acquisitions). **Development management fees** The Property Manager is entitled to receive property development management fees, including project capital expenditure costs and all costs pertaining to the developments, of: • 5.00% on the first $2.5 million of project costs; and • 3.00% on all project costs above $2.5 million. If a Management Agreement is terminated, including because HMC Funds Management Limited ceases to be the responsible entity of HomeCo Daily Needs REIT, a compensation amount is payable to the Manager and the above fees (other than those accrued for the period prior to termination) would no longer be payable.	Sections 4.8, 9.2 and 9.3
What distributions can I expect from HomeCo and HomeCo Daily Needs REIT in 2021?	For the 6 months to 30 June 2021, the distributions for HomeCo and HomeCo Daily Needs REIT are expected to comprise: • 5.6 cents per HomeCo stapled security; and • 3.6 cents per unit in HomeCo Daily Needs REIT.	Section 6.9

QUESTION	ANSWER	REFERENCE
	HomeCo's dividend policy after the implementation of the Proposal will be to target a normalised payout ratio in the range of between 80% and 100% of HomeCo's FFO once the Portfolio is fully stabilised. A payout ratio at the lower end of this range may be adopted in circumstances where HomeCo has identified value-accretive investment opportunities including, among other things, brownfield developments and acquisitions. HomeCo Daily Needs REIT expects to target a normalised distribution payout ratio of 90% to 100% of FFO once its portfolio is fully stabilised. The first distribution is expected to be a pro rata amount based on the period between Completion Date and 31 March 2021. The board of the Responsible Entity retains the discretion to amend the distribution policy. Distributions from HomeCo Daily Needs REIT are intended to be paid quarterly with Unitholders to receive distributions within 2 months following the end of each distribution period, being the three months ending 31 March, 30 June, 30 September and 31 December each year.	
Who will receive Units under the Capital Distribution?	Each eligible Securityholder with a registered holding of Securities on the Capital Distribution Record Date, being 7.00pm (Sydney time) on Tuesday, 24 November 2020. No action is required on the part of eligible Securityholders. No application form is required and no money needs to be paid.	Section 3.1
What happens if I am not an Australian or New Zealand Securityholder?	The transfer of Units to Securityholders pursuant to the Capital Distribution who do not have a registered address in Australia or New Zealand will be subject to legal and regulatory requirements in the relevant overseas jurisdiction. If the requirements of any jurisdiction where a Securityholder is resident are held to restrict or prohibit the distribution of Units as proposed or would impose on HomeCo an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on HomeCo an undue burden, the Units that would otherwise be transferred to the relevant Securityholder will be issued to a sale agent, who will sell those Units and the proceeds (net of costs and any withholding tax) will be remitted to such Securityholder.	Section 9.11
What will Securityholders receive under the Capital Distribution if the Proposal proceeds?	1 Unit for every 2 Securities held on the Capital Distribution Record Date, being 24 November 2020 (rounded down to the nearest whole number of Units).	Section 3.1
Can I get more Units?	You can also apply for more Units under the Offer. Further information regarding the Offer can be found in the PDS.	See the PDS

QUESTION	ANSWER	REFERENCE
Will I need to make any payment to participate in the Proposal?	No. However, if you wish to participate in the Offer to purchase more Units, you will need to pay the Offer Price for those Units.	Section 3.1
Can I choose to receive cash instead of Units?	No. However, it is expected that Units will be quoted on ASX and freely tradeable.	Section 3.1
What happens if the Proposal does not proceed?	• HomeCo will continue to operate as it does now. • The benefits of the Proposal will not be realised. • Ownership of the Portfolio will not change. • Units will not be distributed. • The Offer will not take place. • HomeCo will incur transaction costs of approximately $5.2 million. • The disadvantages and risks of the Proposal will not arise.	Section 3.8
Do I have to provide my Tax File Number (TFN) or Australian Business Number (ABN) to participate in the Proposal?	No. However, if you are an Australian resident then unless you provide your TFN or where relevant, ABN, to HomeCo Daily Needs REIT, tax may be deducted from distributions that HomeCo Daily Needs REIT pays to you. HomeCo proposes to provide the TFN and ABN information it has to HomeCo Daily Needs REIT on behalf of Securityholders.	Section 9.12
HomeCo after establishment of HomeCo Daily Needs REIT		
What will HomeCo look like if the Proposal proceeds?	HomeCo will continue to be an owner, manager and developer of diversified property investments with income streams across rental income, co-investments and management fees. HomeCo and its controlled entities will continue to own interests in the same portfolio of assets (less the assets acquired by HomeCo Daily Needs REIT) as it did before implementing the Proposal, which will be a geographically diverse portfolio of 16 operating assets and 6 development projects with a fair value of $616 million.[1] HomeCo is expected to retain approximately a 27% investment in HomeCo Daily Needs REIT upon implementation of the Proposal and is therefore aligned to the REIT's performance. The Proposal progresses HomeCo towards a capital light model with diversified income streams across rental income, co-investments and management fees. The Proposal establishes a platform for HomeCo to unlock additional value and growth through capital recycling and ongoing management fee streams from assets under management.	Section 4

[1] Includes excess land at Richlands.

QUESTION	ANSWER	REFERENCE
	Further information on HomeCo Daily Needs REIT can be found in the PDS.	
Will HomeCo's strategy change if the Proposal is implemented?	No. HomeCo will continue as an owner, manager and developer of diversified property investments with income streams across rental income, co-investments and management fees.	Section 4.2
Will the Board and management change if the Proposal is implemented?	No. The Board will continue to be constituted by the HomeCo directors appointed prior to implementation of the Proposal, in addition to the proposed appointment of Kelly O'Dwyer as an Independent Non-Executive Director.	Section 4.5
HomeCo Daily Needs REIT		
What will HomeCo Daily Needs REIT look like if the Proposal proceeds?	HomeCo Daily Needs REIT will be an Australian real estate investment trust listed on the ASX with a mandate to invest in predominately metro-located, convenience based assets, across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. Upon Completion, HomeCo Daily Needs REIT's portfolio will consist of 15 stabilised, convenience focused assets, with a further 2 properties under development. Each operating centre will be anchored by leading brands backed by some of Australia's most successful retail organisations including predominately national retailers. HMC Funds Management Limited, a wholly owned subsidiary of HomeCo, will be the responsible entity of HomeCo Daily Needs REIT (**Responsible Entity**). The Responsible Entity has the primary responsibility for the governance and operation of HomeCo Daily Needs REIT.	Section 6
What will HomeCo Daily Needs REIT's objective be?	HomeCo Daily Needs REIT's objective is to provide Unitholders with exposure to a portfolio of stabilised, predominately metro-located and convenience based assets targeting consistent and growing distributions.	Section 6.3
What will HomeCo Daily Needs REIT's strategy be?	HomeCo Daily Needs REIT intends to achieve its objectives by pursuing some or all of the following activities in delivering its strategy: • maintaining high quality and defensive exposure across target sub-sectors (neighbourhood, large format retail and health & services), tenants and geographies; • employing a model portfolio construction informed by long term historical returns across sub-sectors; • pursuing consolidation opportunities across target sectors; and • maintaining an appropriate capital structure.	Section 6.3
What governance arrangements apply to HomeCo Daily Needs REIT	The board of the Responsible Entity will comprise non-executive directors, the majority of whom will be considered independent for the purposes of the ASX	Sections 6.10 to 6.12

QUESTION	ANSWER	REFERENCE
after implementation of the Proposal?	Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition, February 2019) and independent of HomeCo. The Responsible Entity has responsibility for the governance and oversight of operations of HomeCo Daily Needs REIT. The Responsible Entity has appointed the Property Manager and Investment Manager to provide certain asset management, investment management, development management, leasing and property management services to HomeCo Daily Needs REIT under the Management Agreements	
When will Units commence trading on ASX?	It is expected that the Units will commence trading on ASX on or about 23 November 2020 on a conditional and deferred settlement basis. It is expected that Units will commence trading on ASX on a normal settlement basis on or about 30 November 2020.	Important Dates
Meeting and Securityholder approval		
When is the Meeting?	10.30am (Sydney time) on Wednesday, 18 November 2020. Due to COVID-19 restrictions, physical attendance at the Meeting will not be possible. Instead, Securityholders will have the opportunity to be present virtually via a live webcast which can be accessed at https://agmlive.link/HMC2022.	Important Dates
Who can vote at the Meeting?	Securityholders who are registered holders of Securities as at 16 November 2020 at 7.00pm (Sydney time).	Section 8.2
How do I vote?	Securityholders may lodge a direct vote or appoint a proxy online at www.linkmarketservices.com.au or by submitting a voting form to the share registry. Your votes must be received by no later than 10.30am (Sydney time) on 16 November 2020. You can also lodge a vote in real time (and ask questions) by attending the Meeting virtually at https://agmlive.link/HMC2022.	Section 2.2
How do I vote by proxy?	A Proxy Form is included with this Explanatory Memorandum. Your Meeting Proxy Form must be completed and received no later than 10.30am (Sydney time) on 16 November 2020.	Section 2.2
What happens if I do not vote?	If the Capital Distribution Resolution is approved, then the Proposal will be binding on all Securityholders.	Section 8.2
What is the Capital Distribution Resolution?	The Capital Distribution Resolution seeks Securityholder approval to enable HomeCo to reduce its capital by the distribution of specific assets to Securityholders, being approximately 129 million ordinary units in HomeCo Daily Needs REIT. The Capital Distribution involves a reduction of capital by way of an in specie distribution to Securityholders of one	Section 8.1

QUESTION	ANSWER	REFERENCE
	Unit for every two Securities held by such Securityholder as at the Capital Distribution Record Date (rounded down to the nearest whole number of Units).	
What is the approval threshold for the Capital Distribution Resolution?	50% of the votes cast on the Capital Distribution Resolution.	Section 8.2
Details of the Offer		
What is the Offer?	The Offer is made by HomeCo Daily Needs REIT and is an initial public offering under which the Responsible Entity is offering to issue approximately 226 million Units at the Offer Price of $1.33 per Unit, raising proceeds of approximately $300 million.	See the PDS.
What will the Offer proceeds be used for?	Proceeds from the Offer will be used to fund the acquisition of three new properties by HomeCo Daily Needs REIT, being Glenmore Park Town Centre (NSW), Gregory Hills Town Centre (NSW) and Coomera City Centre (QLD). The Offer proceeds will also be used to fund remaining capital expenditure for the centres under development in Richlands and Ellenbrook, provide HomeCo Daily Needs REIT with working capital, fund the transaction costs associated with the Proposal and provide balance sheet capacity to take advantage of acquisition and development opportunities.	See the PDS.
How can I apply under the Offer?	Further information regarding the Offer can be found in the PDS.	See the PDS.
Can the Offer be withdrawn?	Yes. HomeCo Daily Needs REIT reserves the right to withdraw the Offer at any time.	See the PDS.
Is the Offer underwritten?	The Offer is fully underwritten on the terms and conditions of an underwriting agreement which is summarised in the PDS. The Capital Distribution is not underwritten and Goldman Sachs and Macquarie Capital have not acted as joint lead managers or underwriters of the Capital Distribution and therefore do not take any responsibility for managing or underwriting the Capital Distribution.	See the PDS.
Where can I find information on the Offer?	Refer to the PDS.	See the PDS.
Further information		
How can further information be obtained?	Call the HomeCo Securityholder Information Line on +61 1800 754 866 (toll free within Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday (excluding public holidays).	

2. WHAT YOU NEED TO DO

2.1 Carefully read this Explanatory Memorandum and the PDS

You should read this Explanatory Memorandum, the Notice of Meeting and the PDS in full before making any decision on how to vote on the Capital Distribution Resolution required to implement the Proposal. You should also read the PDS in full before deciding whether or not to participate in the Offer.

There are answers to some questions you may have in the Questions and Answers section of this Explanatory Memorandum and the PDS. If you have any further questions, you can call the HomeCo Securityholder Information Line on +61 1800 754 866 (toll free within Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday (excluding public holidays). If necessary, you should seek your own independent advice on any aspect about which you are not certain.

2.2 Vote at the Meeting

Securityholders will be eligible to vote at the Meeting if they are registered holders of Securities as at 16 November 2020 at 7.00pm (Sydney time).

Due to COVID-19 restrictions, physical attendance at the Meeting will not be possible. However, Securityholders will have the opportunity to be present virtually via a live webcast and will be able to vote electronically via an online platform (including lodging a vote in real time and asking questions online). You can access the platform at https://agmlive.link/HMC2022. To log in, you will need your holder identifier (SRN, HIN or employee identification) and postcode.

Alternatively, Securityholders may lodge a direct vote or appoint a proxy online at www.linkmarketservices.com.au or by submitting a voting form to the Registry. Please note that your votes need to be received by no later than 10.30am (Sydney time) on 16 November 2020. To log in, you will need your holder identifier (SRN, HIN or employee identification) and postcode.

The vote on the Capital Distribution Resolution will be conducted by way of a poll. Securityholders have one vote for each Security they hold.

You may also appoint an attorney or, in the case of a company, a corporate representative, to vote on your behalf. For those persons participating as an attorney, the instrument effecting the appointment must be received by HomeCo at its registered office or by the Registry by no later than 10.30am (Sydney time) on 16 November 2020. Those persons participating as a corporate representative must provide satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to HomeCo).

Further information on the procedure for voting at the Meeting is set out in the Notice.

2.3 Participate in the Capital Distribution

If you wish to participate in the Capital Distribution of Units you will need to ensure that you do not sell your Securities prior to the Capital Distribution Record Date, being 7.00pm (Sydney time) on 24 November 2020.

Otherwise you do not need to do anything to participate in the Capital Distribution. You do not need to complete an application form.

The first day you can trade the Units that you will receive through the Capital Distribution is 23 November 2020 on a conditional and deferred basis. On this day, the Capital Distribution Record Date will not yet have occurred, and you will not have received your holding statement which sets out the number of Units you hold. If you trade your Units on ASX in this period you do so at your own risk.

Holding statements are expected to be despatched on 27 November 2020 and you should receive your holding statement in the subsequent days.

3. DETAILS OF THE PROPOSAL

3.1 Overview

HomeCo is proposing to establish HomeCo Daily Needs REIT(ARSN 645 086 620), a new ASX listed real estate investment trust that will acquire 15 stabilised, convenience focused assets and 2 centres under development from HomeCo.

HMC Funds Management Limited (ACN 105 078 635, AFSL 237257), a wholly owned subsidiary of HomeCo will be the Responsible Entity of HomeCo Daily Needs REIT.

It is proposed that HomeCo Daily Needs REIT will be established through a capital reduction of HomeCo and effected via a distribution in specie of ordinary units in the REIT (**Units**) to Securityholders on the basis of 1 Unit for every 2 Securities held as at the Capital Distribution Record Date (rounded down to the nearest whole number of Units) (**Capital Distribution**). The Capital Distribution will result in the transfer of approximately 129 million Units to Securityholders. Securityholders are not required to make any cash payment in connection with the Capital Distribution.

As a result of the proposal, HomeCo as it currently exists will become two separate vehicles with different investment attributes and characteristics:

- **HomeCo Daily Needs REIT**: 100% owned Portfolio of stabilised, predominately metro-located, convenience based assets targeting consistent and growing distributions; and
- **HomeCo**: owner, developer and manager of diversified property investments.

Concurrent with the Proposal, the Responsible Entity is making an offering of approximately 226 million new Units to raise proceeds of approximately $300 million (**Offer**). Proceeds from the Offer will be used to fund the acquisition of three new properties by HomeCo Daily Needs REIT: Glenmore Park Town Centre (NSW), Gregory Hills Town Centre (NSW) and Coomera City Centre (QLD). The Offer proceeds will also be used to fund remaining capital expenditure for the centres under development in Richlands and Ellenbrook, provide HomeCo Daily Needs REIT with working capital, fund the transaction costs associated with the Proposal and provide balance sheet capacity to take advantage of acquisition and development opportunities.

The Proposal is conditional on the approval of the Capital Distribution Resolution at the Meeting on 18 November 2020 and, if approved, is expected to be implemented on or about 26 November 2020 by way of the Capital Distribution and by the Offer.

If the Proposal is implemented, HomeCo will continue to be listed and trade on ASX under the ticker "HMC", while HomeCo Daily Needs REIT will be listed and traded separately on ASX under the ticker "HDN".

3.2 Background and rationale

HomeCo was established in 2017 when a consortium of investors comprised of some of Australia’s leading property development and retail organisations acquired the former Masters Home Improvement real estate portfolio. Since the acquisition, HomeCo has successfully redeveloped 26 centres across 300,000sqm of GLA, making it one of the largest retail property developers in the country. The successful repositioning of the portfolio has been underpinned by HomeCo’s strategy to focus on hyper-convenience and predominately national retailers spanning daily needs, leisure & lifestyle and services enterprises.

In October 2019, HomeCo listed on the ASX under the ticker "HMC". The listing enabled HomeCo to raise additional capital to continue to unlock value and growth through development and strategic acquisitions consistent with HomeCo’s stated ‘Own, Develop and Manage’ strategy.

HomeCo's strong financial and operating performance since listing has provided Securityholders with solid total returns. Since listing, HomeCo has delivered a total securityholder return of 11.0%, outperforming the ASX 200 and ASX 200 A-REIT index by 13.5% and 23.4%, respectively over the same period[2].

Despite the global pandemic, HomeCo exceeded its prospectus FFO forecast for the year ending 30 June 2020, reflecting HomeCo's proactive response and strategy to mitigate the impacts of COVID-19 on the business and the resilient performance of its asset and tenant base.

HomeCo announced at its full-year result for the 2020 financial year that total assets increased by 30% to $1,200 million versus the portfolio at the time of its initial public offering. Following the recent acquisitions of Glenmore Park Town Centre and Gregory Hills Town Centre in Western Sydney and Coomera City Centre on the Gold Coast, assets under management has increased by 60% since listing to $1,476 million.[3]

The substantial growth in HomeCo's asset base and scale provides the foundation for the next phase of HomeCo's 'Own, Develop and Manage' strategy. The Capital Distribution establishes the platform for HomeCo to unlock additional value and growth through further capital recycling and progresses HomeCo towards a capital light model with diversified income streams.

Consistent with this strategy, HomeCo is progressing plans to introduce new external capital into a healthcare & wellness fund (known as **HealthCo**) to facilitate further investment both within and outside of the existing portfolio. It is intended that HealthCo will be seeded with a selection of existing healthcare & wellness assets value at ~$150 million currently on HomeCo's balance sheet.

The Board believes the establishment of HomeCo Daily Needs REIT creates an opportunity for investors to gain exposure to a vehicle focused on investing in modern, stabilised convenience based assets located in predominately metropolitan markets targeting consistent and growing distributions.

Furthermore, the Proposal will provide both HomeCo and HomeCo Daily Needs REIT with a capital structure and investor base appropriate for their respective strategies, income streams and the assets they will own after the Proposal is implemented.

Accordingly, the Proposal is expected, over time, to create greater value for Securityholders than the current structure.

3.3 Directors' recommendation

The Directors unanimously believe for the reasons set out in Section 3.2 that the benefits of the Proposal outweigh its disadvantages and risks. In the Directors' opinion, the Proposal is in the best interests of Securityholders.

Each Director recommends that Securityholders vote in favour of the Capital Distribution Resolution proposed for consideration at the Meeting. Each Director eligible to vote intends to vote all the Securities he or she holds or are controlled by him or her in favour of the Capital Distribution Resolution.

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[2] As at 14 October 2020.

[3] For HomeCo Daily Needs REIT, Assets Under Management includes investment properties, other assets held for sale, rental guarantees, the option relating to the property in Vincentia, and is net of lease liabilities.

3.4 Implementation of the Proposal

To implement the Proposal, the following key steps will take place:

- **Establishment of HomeCo Daily Needs REIT**: HomeCo has established and registered HomeCo Daily Needs REIT as a managed investment scheme and the relevant trusts and companies involved in the Proposal. HomeCo Daily Needs REIT has also signed a binding commitment letter with a syndicate of lenders for a new senior secured syndicated Debt Facility totalling $400 million;
- **Securityholder approval**: The Meeting will be held to consider the Capital Distribution Resolution. The approval of the Capital Distribution Resolution must be passed by ordinary resolution of Securityholders for the Proposal to proceed. If the Capital Distribution Resolution is not approved by the requisite majority of Securityholders, the Proposal will not proceed;
- **Acquisition of the Portfolio**: If the Proposal is approved, HomeCo Daily Needs REIT will acquire the portfolio of assets from HomeCo in accordance with a number of acquisition agreements and the Implementation Deed (refer to Section 9 for a summary of these agreements). Total consideration of $584 million is payable by HomeCo Daily Needs REIT for the acquisition of the portfolio of assets (**Purchase Consideration**), which will be offset through the assignment of receivables from HomeCo to HomeCo Daily Needs REIT;
- **Capital Distribution**: HomeCo will then distribute approximately 129 million Units by way of an in specie distribution to eligible Securityholders who are registered holders of Securities on the Capital Distribution Record Date through the Capital Distribution. The Capital Distribution will be on a pro rata basis with each Securityholder receiving 1 Unit for every 2 Securities held on the Capital Distribution Record Date; and
- **Offer and admission**: HomeCo Daily Needs REIT is undertaking an offer of new Units to the public in Australia and New Zealand and institutional investors in certain other jurisdictions pursuant to the PDS (**Offer**), and will seek admission of the REIT to the official list of ASX and quotation of the Units. The Offer is expected to raise proceeds of approximately $300 million. Further information regarding the Offer can be found in the PDS.

3.5 Benefits of the Proposal

The Board believes that the Proposal is expected to provide a number of advantages to Securityholders. The main advantages include:

- **Providing the foundation for the next phase of HomeCo's 'Own, Develop and Manage' strategy**: The establishment of HomeCo Daily Needs REIT creates new income streams for HomeCo and greater potential to further leverage its capital base to grow assets under management, thereby unlocking additional value and growth for Securityholders. HomeCo is currently progressing plans to introduce new external capital into HealthCo to facilitate further investment both within and outside of the existing portfolio. By recycling capital from 100% owned assets into co-investments where HomeCo receives management fees, HomeCo sees potential to generate higher earnings without raising additional capital.

- **Enabling Securityholders to retain exposure to HomeCo Daily Needs REIT's portfolio**: HomeCo believes HomeCo Daily Needs REIT's portfolio will deliver attractive investment returns with relatively low levels of correlation to traditional retail and property sectors. Rather than seek to sell to a third party, HomeCo believes it is in Securityholders' best interests to be given the opportunity to retain their ownership of the assets through an investment in HomeCo Daily Needs REIT. Furthermore, HomeCo sees potential for HomeCo Daily Needs REIT to capitalise on growth opportunities to further enhance risk adjusted returns for Securityholders through greater diversification and scale.

- **Increasing investor choice**: By establishing two distinct ASX listed vehicles with different investment attributes, existing Securityholders will have the flexibility to consider HomeCo and HomeCo Daily Needs REIT as standalone entities and to adjust their level of investment in each accordingly. HomeCo Daily Needs REIT will provide exposure to a stabilised portfolio of convenience focused assets targeting consistent and growing distributions. HomeCo's strategy will see it continue to transition towards a capital light model with diversified sources of income including a growing exposure to funds management income over time.

- **Facilitating more differentiated capital management**: HomeCo and HomeCo Daily Needs REIT will have the flexibility to further differentiate their capital structures and distribution policies to appropriately reflect their different financial, operational and strategic objectives. Due to the high quality and stable nature of HomeCo Daily Needs REIT's cash flows, HomeCo Daily Needs REIT is expected to be in a position to maintain a higher payout ratio compared to HomeCo which is expected to have an increased growth focus.

- **100% tax deferred distributions in FY21**: Securityholders will benefit from HomeCo Daily Needs REIT's modern portfolio which has relatively high levels of depreciation which can be passed on through tax deferred distributions. This benefit is not currently available to Securityholders in HomeCo's current structure. Distributions from HomeCo Daily Needs REIT are expected to be 100% tax deferred in FY21.

- **Reducing gearing in HomeCo**: HomeCo's gearing will be reduced from balance sheet gearing of 32% to look-through gearing of 29% following the Proposal, providing additional capacity to fund value and earnings accretive investment opportunities.

The Board believes that, if the Proposal is implemented, the combined value of HomeCo and HomeCo Daily Needs REIT is expected, over time, to be greater than the value of HomeCo on a standalone basis, resulting in increased value for current Securityholders.

3.6 Disadvantages of the Proposal

There are a number of disadvantages associated with the Proposal which you should take into account in deciding how to vote. The main disadvantages include:

- **Transaction and implementation costs**: Total transaction costs of the Proposal are expected to be approximately $44.7 million on a pre-tax basis (of which approximately $21.4 million relates to stamp duty and land transfer fees).

- **Additional ongoing costs for HomeCo Daily Needs REIT associated with being a separately listed entity**: HomeCo Daily Needs REIT will be a separately listed entity on the ASX, which will involve additional corporate costs.

- **Dilution of Securityholders**: Securityholder interests in HomeCo will remain unchanged; however their interest in HomeCo Daily Needs REIT may be diluted following completion of the Offer.

3.7 Risks of the Proposal

The main risks of the Proposal are:

- **Ongoing relationship between HomeCo and HomeCo Daily Needs REIT**: In performing the role of Investment Manager and Property Manager, it is anticipated that HomeCo and HomeCo Daily Needs REIT will act with separate commercial objectives in their dealings in the future. The relevant arrangements are long term in nature. It can be assumed that HomeCo and HomeCo Daily Needs REIT will act in their respective best interests over the term of the arrangements which increases the prospects that commercial interests may diverge and disputes may occur over time.

- **HomeCo's credit profile may change**: Following the implementation of the Proposal, HomeCo will continue to maintain a diversified revenue base, stable cash flows and capital management discipline. However, the Group's net assets will be reduced by approximately $208 million (reflecting a decrease in 100% owned assets by $584 million, net debt being reduced by approximately $205 million and the inclusion of HomeCo's 27% co-investment stake in HomeCo Daily Needs REIT valued at approximately $171 million). The asset base reduction will result in lower rental income for HomeCo, but its gearing will not be adversely impacted. The reduction in debt will reduce the ongoing interest costs for HomeCo. Any change of HomeCo's credit profile may affect HomeCo's access to, and cost of, debt. The proposed restructure of the securities granted to Woolworths is expected to assist HomeCo's credit profile as well.
- **Possible adverse stamp duty consequences of the Proposal**: HomeCo has sought stamp duty exemptions in New South Wales and Western Australia and stamp duty concession in Victoria on the transfer of assets from the Home Consortium Property Trust to HomeCo Daily Needs REIT. If the applicability of those exemptions or concessions were denied or withdrawn, that may result in unexpected costs being imposed on HomeCo Daily Needs REIT and those costs may be significant because the stamp duty on transfers of real estate is up to a general rate of 5.5% of the value of the real estate and tangible assets. Queensland stamp duty (calculated at a general rate of 5.75% on the value of the real estate and tangible assets) is payable on the transfer of assets located in Queensland from the Home Consortium Property Trust to HomeCo Daily Needs REIT and no stamp duty exemption is available. Victorian stamp duty will be payable on the listing of HomeCo Daily Needs REIT (i.e. when all of its units are quoted on the ASX), calculated at a rate of 0.55% on the value of the real estate and potentially fixed assets owned by third party tenants in Victoria.
- **Possible adverse accounting and taxation impacts of the Proposal:** The Proposal may result in non-cash movements in the carrying value of assets held by HomeCo, including deferred tax assets, which may impact upon FY21 net profit and the ability of HomeCo to utilise its existing franking credits balance to declare franked dividends.
- **Possible adverse taxation consequences of the Proposal**: The Proposal may have potential tax implications for Securityholders. These implications will differ depending on the individual circumstances of the Securityholder. The material Australian income taxation consequences of the Proposal for Securityholders are set out in Section 7.
- **Market price of Securities**: The Board believes that implementation of the Proposal is in the best interests of, and will over time create long term value for, Securityholders. However, it is not possible to predict the market price of Securities or Units following implementation of the Proposal and the combined market value of HomeCo and HomeCo Daily Needs REIT may be lower than the current market value of Securities in HomeCo. The voluntary escrow arrangements that are in place over Securities and Units may also impact the liquidity of HomeCo Securities and HomeCo Daily Needs REIT Units and thereby their market value.
- **Damage to the HomeCo brand**: HomeCo Daily Needs REIT will use the "HomeCo" trademark in its company, business and domain names while the responsible entity is controlled by HomeCo. There is a risk that activities of HomeCo Daily Needs REIT (including litigation, disputes and its general business conduct) during that time may adversely affect the value and reputation of HomeCo.
- **HomeCo exposure through the Responsible Entity**: The Responsible Entity is a wholly owned subsidiary of HomeCo. As such, HomeCo will be exposed to the extent the Responsible Entity incurs any liability for which it is not fully indemnified out of the assets of

HomeCo Daily Needs REIT in accordance with the constitution of HomeCo Daily Needs REIT.

- **Untested access to capital markets**: HomeCo Daily Needs REIT will have no operating history as a separately listed entity. As such, there can be no guarantee that HomeCo Daily Needs REIT will be able to access and raise capital, either at all or on reasonable terms, to meet its forecasts and strategy.

3.8 Implications if the Proposal does not proceed

If the Proposal does not proceed then:

- HomeCo will continue to operate as it does now;
- the benefits of the Proposal described in Section 3.5 will not be realised;
- HomeCo's ownership of the assets proposed to be contributed to HomeCo Daily Needs REIT will not change and Securityholders will continue to benefit from that ownership through HomeCo;
- Units will not be distributed to Securityholders under the Capital Distribution;
- HomeCo will not receive the Purchase Consideration for the assets proposed to be contributed to HomeCo Daily Needs REIT;
- the Offer will not take place; and
- the disadvantages and risks of the Proposal described in Sections 3.6 and 3.7 will not arise, except that HomeCo will incur transaction costs of approximately $5.2 million (out of an estimated $44.7 million in transaction costs if the Proposal had been implemented).

3.9 Alternatives considered

HomeCo has explored a range of alternatives before deciding to recommend the Proposal. The major alternatives that were available to HomeCo were:

- undertaking no transaction and maintaining HomeCo's current structure; and
- implementing the Proposal, but establishing HomeCo Daily Needs REIT with a different subset of properties

HomeCo assessed the Proposal and other alternatives against the objectives and strategy of HomeCo.

After careful consideration, HomeCo believes the Proposal best meets HomeCo's objectives whilst also progressing HomeCo's strategy, and therefore, is in the best interest of Securityholders.

4. HOMECO AFTER IMPLEMENTATION OF THE PROPOSAL

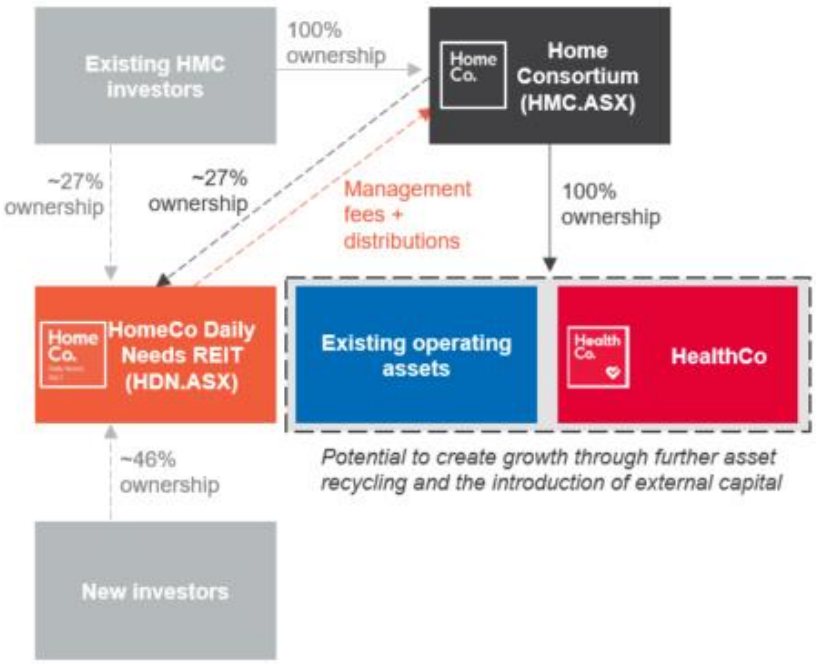
4.1 Overview and corporate structure

Following implementation of the Proposal, HomeCo will continue to be an owner, manager and developer of diversified property investments with income streams across rental income, co-investments and management fees. HomeCo's $1,476 million of assets under management will comprise of $616 million of assets which will remain on HomeCo's balance sheet and $860 million of assets in HomeCo Daily Needs REIT.

HomeCo's gearing will be reduced from balance sheet gearing of 32% to look-through gearing of 29% following the Proposal, providing additional capacity to fund value and earnings accretive investment opportunities.

HomeCo will remain structured as a stapled group comprising Home Consortium Limited (**HCL**) and Home Consortium Developments Limited (**HCDL**) and their controlled entities.

The diagram below depicts the corporate structure and property interests of each of HomeCo and HomeCo Daily Needs REIT following implementation of the Proposal:



HomeCo will maintain an ongoing relationship with HomeCo Daily Needs REIT with regard to the following:

- the Responsible Entity is a wholly owned subsidiary of HomeCo and the properties in the REIT's portfolio will be HomeCo branded centres;
- two HomeCo directors, David Di Pilla and Greg Hayes, will be directors of the Responsible Entity;
- HomeCo, through the Investment Manager and Property Manager, will provide investment and property management services to HomeCo Daily Needs REIT;

- HomeCo will maintain an investment in HomeCo Daily Needs REIT and following implementation of the Proposal will have an investment of approximately 27% of Units on issue; and
- HomeCo will enter into a voluntary escrow arrangement which prevents HomeCo from disposing of any Units held by it on Completion for one year.

In combination, these initiatives support strategic alignment between HomeCo and HomeCo Daily Needs REIT going forward.

4.2 Business plans and strategy

HomeCo's objective will continue to be to provide Securityholders with above average risk-adjusted returns through a combination of regular dividend and capital growth. HomeCo intends to achieve its objective by pursuing some or all of the following activities as appropriate:

- own, develop and manage a portfolio of properties that are anchored by quality tenants with long term leases;
- create an innovative retail and services property offering that resonates with tenants and consumers;
- capitalise on other value-accretive investment opportunities, including brownfield and greenfield developments and acquisitions;
- pursue future capital partnering and funds management initiatives to generate annuity style management fee income; and
- maintain an appropriate capital structure.

The establishment of HomeCo Daily Needs REIT is consistent with HomeCo's 'Own, Develop and Manage' strategy. It represents the foundation for the next stage for the Group by progressing HomeCo towards a more capital light model.

HomeCo will also continue the development of a healthcare & wellness fund (known as **HealthCo**). HomeCo intends to seed HealthCo with a selection of existing healthcare & wellness assets currently on balance sheet. As at 30 June 2020, HomeCo has exposure to over $150 million of existing seed assets with a significant development pipeline of healthcare & wellness opportunities. HomeCo continues to progress the development of HealthCo and planning is now well advanced with fund raising expected to commence in late 2020 or during 2021.

4.3 Dividends and distributions

On implementation of the Proposal, existing Securityholders will receive 1 Unit for every 2 Securities held as at the Capital Distribution Record Date (rounded down to the nearest whole number of Units). Securityholders are not required to pay any cash for the Units distributed via the Capital Distribution.

If the Proposal proceeds, for the 6 months to 30 June 2021, HomeCo is forecasting FFO of 5.6 cents and a dividend of 5.6 cents per Security.

HomeCo's dividend policy after the implementation of the Proposal will be to target a normalised payout ratio in the range of between 80% and 100% of HomeCo's FFO once the Portfolio is fully stabilised. A payout ratio at the lower end of this range may be adopted in circumstances where HomeCo has identified value-accretive investment opportunities including, among other things, brownfield developments and acquisitions.

HomeCo Daily Needs REIT expects to target a normalised distribution payout ratio of 90% to 100% of FFO once its portfolio is fully stabilised. It is intended that distributions will be paid to Unitholders quarterly. The first distribution is expected to be a pro rata amount based on the period between Completion Date and 31 March 2021.

As a result, the aggregate distribution for an existing Securityholder, owning 1 Security in HomeCo and 0.5 Units in HomeCo Daily Needs REIT, is forecast to be 7.4 cents for the 6 months to 30 June 2021.

4.4 Asset valuations and key metrics

Following implementation of the Proposal, HomeCo will continue to generate rental income from a portfolio consisting of 22 fully-owned assets (consisting of 16 operating assets and 6 development projects), with a total fair value of $616 million.[4]

The retained portfolio will be underpinned by leisure & lifestyle, homewares & electrical and healthcare & wellness services tenancies. Key features will include:

- significant national tenant exposure representing >90% of portfolio;[5]
- minimal exposure to speciality tenants which represent <2% of the portfolio[6]
- sustainable and resilient cash flows backed by long WALE of 7.5 years;[7]
- <2% of income expiring over next 18 months;[8] and
- sustainable average rental rate of $229 per sqm across the portfolio with fixed escalation and low levels of lease renewals over the next 5 years.

HomeCo's portfolio following Completion is summarised below:[9]

Asset	State	Classification	Total GLA	Site area (sqm)	Site Coverage	Trading occupancy	Occupancy (by area)	WALE (by income)	Fair value ($m)	Cap rate (%)
Box Hill	VIC	Operating	11,733	40,475	29.0%	90.7%	99.7%	9.9	48.5	6.75%
Knoxfield	VIC	Operating	13,495	43,400	31.1%	97.4%	97.4%	11.5	28.3	7.00%
South Morang	VIC	Operating	11,274	35,870	31.4%	90.8%	100.0%	6.6	31.8	7.00%
Bundall	QLD	Operating	10,244	16,450	62.3%	100.0%	100.0%	5.9	31.8	7.00%
Mackay	QLD	Operating	11,783	108,730	10.8%	100.0%	100.0%	5.9	26.2	7.50%
North Lakes	QLD	Operating	11,399	39,910	28.6%	81.0%	96.2%	7.7	36.0	6.75%
Upper Coomera	QLD	Operating	11,261	34,990	32.2%	89.0%	97.8%	8.0	45.3	6.50%
Morayfield	QLD	Operating	11,216	28,350	39.6%	90.8%	90.8%	7.0	27.3	7.00%
Toowoomba South	QLD	Operating	11,360	32,248	35.2%	97.1%	97.1%	6.8	28.5	7.25%
Lismore	NSW	Operating	8,807	34,750	25.3%	75.8%	75.8%	6.2	15.5	7.50%
Marsden Park	NSW	Operating	11,470	34,920	32.8%	100.0%	100.0%	5.9	52.0	6.25%
Rutherford	NSW	Operating	11,826	28,770	41.1%	94.1%	100.0%	6.9	23.2	7.25%
Coffs Harbour	NSW	Operating	10,162	24,270	41.9%	71.0%	100.0%	9.9	20.1	7.00%
Bathurst	NSW	Operating	16,252	52,050	31.2%	89.1%	89.1%	2.8	16.9	8.00%
Aurrum Erina	NSW	Operating	14,570	33,280	43.8%	100.0%	100.0%	10.0	32.6	6.75%
Rouse Hill	NSW	Operating	14,003	36,100	38.8%	100.0%	100.0%	7.7	54.0	6.25%

[4] Includes excess land at Richlands.
[5] By gross income across all Freehold assets.
[6] By gross income across all Freehold assets (as at 30 September 2020).
[7] Based on signed leases and MoUs across the Operating Portfolio.
[8] Based on signed leases and MoUs across freehold operating assets.
[9] Company filings as at 23 September 2020.

Asset	State	Classification	Total GLA	Site area (sqm)	Site Coverage	Trading occupancy	Occupancy (by area)	WALE (by income)	Fair value ($m)	Cap rate (%)
Springfield	QLD	Development	10,923	31,030	35.2%	nm	nm	nm	13.6	7.00%
Wagga Wagga	NSW	Development	15,487	41,310	37.5%	nm	nm	nm	15.7	8.00%
Cairns	QLD	Development	11,020	27,200	40.5%	nm	nm	nm	27.0	6.75%
St Marys	NSW	Development	13,303	31,860	41.8%	nm	nm	nm	15.1	6.25%
Roxburgh Park	VIC	Development	11,115	38,010	29.2%	nm	nm	nm	22.6	7.50%
Richlands (excess land)	QLD	Development	nm	14,040	nm	nm	nm	nm	4.0	nm
HMC (ex DNR) Portfolio			**252,702**	**808,013**	**32%**	**92%**	**97%**	**7.5**	**616**	**6.88%**
Operating portfolio			**190,854**	**624,563**	**31%**	**92%**	**97%**	**7.5**	**518**	**6.84%**
Development portfolio			**61,848**	**183,450**	**37%**	**nm**	**nm**	**nm**	**98**	**7.09%**

Notes:

1. Occupancy statistics exclude Development assets.
2. Portfolio site coverage ratio and cap rate calculations exclude Richlands.

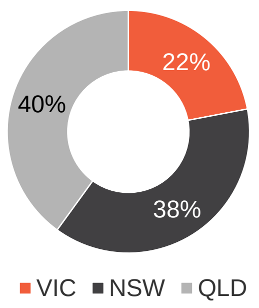
Portfolio statistics

Number of properties	22
Fair Value[1]	616
Weighted Average Capitalisation Rate (**WACR**)[2]	6.88%
Gross lettable area (GLA)	252,702
Site area	808,013
Site coverage ratio[3]	32%
Operating Portfolio Occupancy (by GLA)	97%
Weighted Average Lease Expiry (**WALE**) [4]	7.5
Average rental rate per sqm[5]	229
Exposure to specialty tenants[5]	<2%
National tenants[5]	90%
Income expiring in the next 18 months[5]	<2%

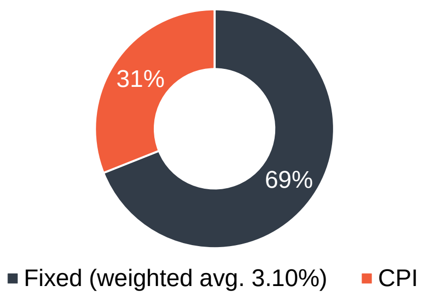
Notes:

1. Includes excess land at Richlands.
2. Weighted by property value.
3. Portfolio site coverage ratio and cap rate calculations exclude Richlands.
4. By gross income for signed leases and signed MoUs across Operating Portfolio.
5. By gross income for signed leases and signed MoUs across property portfolio.

Geographic breakdown (by gross passing income)



Rent review composition (by gross rent)



4.5 HomeCo Board

Following implementation of the Proposal, the Board will continue to be constituted by the HomeCo directors appointed prior to implementation of the Proposal. The Directors are as follows:

Director	Title
David Di Pilla	Executive Chairman and Chief Executive Officer
Christopher Saxon	Deputy Chairman and Lead Independent Non-Executive Director
Zac Fried	Non-Executive Director
Greg Hayes	Non-Executive Director
Jane McAloon	Independent Non-Executive Director
Brendon Gale	Independent Non-Executive Director

If Resolution 2 is passed at the Meeting, Kelly O'Dwyer will also become an Independent Non-Executive Director. It is proposed that Christopher Saxon become Independent Chairman on 1 January 2021.

4.6 Corporate Governance

The existing corporate governance arrangements for HomeCo will continue following implementation of the Proposal.

4.7 Ongoing relationship between HomeCo and HomeCo Daily Needs REIT

HomeCo and HomeCo Daily Needs REIT will have a continuing relationship after implementation of the Proposal and have entered into various agreements between them. These include the Investment Management Agreement and the Property Management Agreement, which are summarised in Sections 9.2 and 9.3.

In addition, HomeCo is expected to retain approximately a 27% investment in HomeCo Daily Needs REIT upon implementation of the Proposal. As such, while HomeCo will be aligned to the REIT's performance, HomeCo and its associates are likely to have the ability to determine (or have significant influence over) any resolution put to Unitholders, including a resolution to remove the Responsible Entity.

In performing its roles of responsible entity of the REIT, manager of all of the properties, property developer, and provider of corporate and other services, the interests of HomeCo and HomeCo Daily Needs REIT may not be aligned. Although many aspects of the relationship will be governed by the detailed agreements summarised in the PDS, these agreements were negotiated between affiliated entities.

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. It is important for Securityholders and Unitholders to be able to assess whether the Responsible Entity takes an appropriate approach to related party transactions. Refer to section 5.7 of the PDS for details on HomeCo Daily Needs REIT's Conflicts of Interest and Related Party Policy and the procedures it has in place to manage conflicts of interest and related party transactions going forward.

4.8 Financial benefits to HomeCo

As Investment Manager and Property Manager of HomeCo Daily Needs REIT, HomeCo will generate funds management income for providing investment management, property management, leasing and development management services to the REIT as outlined in the Management Agreements.

HomeCo will continue to have exposure to HomeCo Daily Needs REIT's portfolio through its approximately 27% investment in HomeCo Daily Needs REIT which will provide HomeCo with regular investment income reflecting its proportionate share of FFO in the REIT.

For FY21, the financial benefits provided by HomeCo Daily Needs REIT to HomeCo arising from the arrangements described in Sections 9.2 and 9.3 which are quantifiable are set out in the table below.

The fees are long term in nature and the quantum of the fees payable to HomeCo in each year will be dependent on the gross asset value (**GAV**) of HomeCo Daily Needs REIT and activities in that year, particularly the level of annual gross income, leasing and property development activities.

4.9 Summary of management fees[1]

Investment Management Agreement	
Management Fee	0.65% of the REIT's GAV up to $1.5 billion; 0.55% for the portion of the REIT's GAV greater than $1.5 billion.
Acquisition / Disposal Fee	1.00% of the purchase price of any assets and 0.50% of the disposal price of any sale.[2]
Termination Fee	2 years of management fees, calculated based on the consolidated GAV as at the date of equity or termination.
Property and Development Management Agreement	
Property Management Fee	3.00% of the REIT's annual gross rental income.
Property Development Fee	5.00% of the project cost up to $2.5 million, and 3.00% of the project cost exceeding $2.5 million.
New Tenant Lease Fee	15.00% of the first year's rent.
Lease Renewal Fee	7.50% of the first year's rent.
Termination Fee	2 times the fees paid under the agreement in the 12 months up to the date of expiry or termination.

Note:
1. Excludes GST.
2. No acquisition fees charged on the three Acquisition properties, Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.

5. FINANCIAL INFORMATION FOR SECURITYHOLDERS

5.1 Overview

This Section includes a summary of historical financial information and forecast financial information for HomeCo and summary financial information for HomeCo Daily Needs REIT. HomeCo and HomeCo Daily Needs REIT report on a financial year ending 30 June basis, and all figures within this Section are for years ending 30 June unless otherwise noted.

The historical financial information is extracted from HomeCo's audited financial statements. The Financial Information in this Section should be read in conjunction with the published financial statements, the PDS and any public announcements made by HomeCo which are available from: https://investors.home-co.com.au/investor-centre/.

HomeCo owns interests in hyper-convenience focused retail and services assets in Australia. As part of the Proposal, HomeCo will transfer a number of properties to HomeCo Daily Needs REIT. HomeCo Daily Needs REIT will be demerged from HomeCo via an in specie distribution to Securityholders. HomeCo Daily Needs REIT will concurrently undertake the Offer, which will reduce HomeCo's retained investment in HomeCo Daily Needs REIT to approximately 27%.

The pro forma Forecast Financial Information has been prepared on the basis that the Proposal will be implemented on 26 November 2020 (**Completion Date**).

The historical financial information of HomeCo comprises the pro forma historical statement of financial position as at 30 June 2020 reflecting the effect of the Proposal and other significant transactions, being the 30 June 2020 statement of financial position adjusted for the Proposal and other significant transactions as if they had occurred on 30 June 2020, as presented in Table 3 (**Pro Forma Historical Statement of Financial Position**).

The forecast financial Information of HomeCo comprises the forecast pro forma Funds From Operations (**FFO**) and distributions per Security and Unit for the period from the Completion Date to 30 June 2021, as presented in Table 1 (**Forecast Financial Information**).

The Pro Forma Historical Statement of Financial Position and Forecast Financial Information are collectively referred to as the **Financial Information.**

Also summarised in this Section are:

- summary pro forma key financial metrics for HomeCo and HomeCo Daily Needs REIT, as presented in Table 2;
- the basis of preparation and presentation of the Financial Information (refer to Section 5.2); and
- the best estimate assumptions underlying the Forecast Financial Information (refer to Section 5.5).

5.2 Basis of preparation and presentation of the Financial Information

The Pro Forma Historical Statement of Financial Position has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards (AAS), other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of the Proposal and other significant transactions as if they occurred on 30 June 2020.

The Forecast Financial Information has been prepared with reference to the best practice guidelines published by the Property Council of Australia in May 2019 in relation to the presentation of FFO.

Certain significant accounting policies relevant to the Financial Information are disclosed in Note 3 to the financial statements in HomeCo's 2020 Annual Report which has been lodged with ASIC and is available from https://investors.home-co.com.au/investor-centre/. The Financial Information is presented in an abbreviated form and does not contain all of the disclosure provided in an annual report in accordance with the Corporations Act.

Preparation of the Pro Forma Historical Statement of Financial Position

The Pro Forma Historical Statement of Financial Position has been extracted from the 30 June 2020 statement of financial position as per the audited financial statements of HomeCo for the year ended 30 June 2020, which were audited by PricewaterhouseCoopers and on which an unqualified opinion audit opinion was issued, and adjusted to reflect the impact of the following transactions as if they occurred on 30 June 2020:

- the equity raise and property acquisitions which occurred in July 2020, the impact of which was summarised in an investor presentation released by HomeCo on 26 August 2020;
- the proposed leasehold restructure which was also highlighted in the investor presentation released by HomeCo on 26 August 2020; and
- the Proposal, including the impact of the assets contributed to HomeCo Daily Needs REIT, cash received from HomeCo Daily Needs REIT, and the accounting for HomeCo's retained interest of approximately 27% in HomeCo Daily Needs REIT. HomeCo will recognise its retained interest in HomeCo Daily Needs REIT using the equity method of accounting.

Preparation of the Forecast Financial Information

The Forecast Financial Information has been based on the best estimate assumptions of the HomeCo Directors set out in Section 5.5. The Directors believe that they have prepared the Forecast Financial Information with due care and attention, and consider the best estimate assumptions to be reasonable at the time of preparing this Explanatory Memorandum.

The Forecast Financial Information has been compiled on the basis that the Proposal is implemented on the Completion Date and is pro forma for financing and other arrangements that Directors and management expect on the Completion Date.

The forecast pro forma FFO and distributions for the period from the Completion Date to 30 June 2021 have been prepared on the basis that the Proposal is implemented on the Completion Date. Those items which have a significant impact to HomeCo are described below:

- reduction in net property income following the contribution of assets to HomeCo Daily Needs REIT;
- co-investment income which reflects HomeCo's share of HomeCo Daily Needs REIT's forecast FFO earned from HomeCo's retained co-investment stake in HomeCo Daily Needs REIT;
- management fee income which is expected to be earned under the Management Agreements for the administration of HomeCo Daily Needs REIT; and
- the reduction in net debt of $205 million.

The user should be aware that the timing of actual events, future changes in the value of the underlying properties, movement in interest rates and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that any deviation from these assumptions may have a material positive or negative effect on HomeCo's actual financial performance or position.

5.3 Pro forma forecast FFO and distributions and summary key financial metrics

Table 1 presents the pro forma forecast FFO and distributions on a cents per security and unit basis from the Completion Date to 30 June 2021 for HomeCo and HomeCo Daily Needs REIT respectively.

Pro forma forecast FFO and distributions assume the Proposal is implemented on the Completion Date. At the Completion Date, each existing Securityholder will continue to own 1 stapled security in HomeCo and receive an in-specie distribution of 0.5 units in HomeCo Daily Needs REIT for every 1 existing Security owned.

Table 1: Pro forma forecast FFO and distributions

		Pro forma forecast – Completion Date to 30 June 2021[1]		
FFO[2] (cents per security / unit)	Months	1 HMC Security	0.5 HDN Units[3]	Existing HMC Securityholder
Completion Date to 31 December 2020	1	0.9	0.3	1.2
1 January to 30 June 2021	6	5.6	1.7	7.3
Total	**7**	**6.6**	**2.0**	**8.5**
Distributions (cents per security / unit)				
Completion Date to 31 December 2020	1	0.9	0.3	1.3
1 January to 30 June 2021	6	5.6	1.8	7.4
Total	**7**	**6.6**	**2.1**	**8.7**

Note: Numbers may not add due to rounding.

1. Pro forma FFO and distributions are presented on the basis the Proposal is implemented on the Completion Date (26 November 2020).
2. Excludes fair value adjustments, rental straight lining, amortisation of lease incentives, amortisation of debt establishment fees, movement in AASB 16 lease liabilities, and acquisition and transaction costs. HomeCo Daily Needs REIT FFO capitalises interest, property expenses and development management fees associated with the properties in Richlands and Ellenbrook whilst they are under development.
3. HomeCo Daily Needs REIT distributions are to be made quarterly with the first distribution expected to be paid in May 2021. It is expected to be a pro rata amount based on the period between the Completion Date and 31 March 2021. The distributions will be equal to a 5.5% yield on the Offer Price. Details (including major assumptions and sensitivities) of HomeCo Daily Needs REIT's forecast FFO and distributions in FY21 are set out in Section 6 of the PDS.

Table 2 presents a summary of the key financial metrics for HomeCo and HomeCo Daily Needs REIT before and after the Proposal on a 100% basis. Note that Securityholders will receive 0.5 Units for every 1 Security owned at the Capital Distribution Record Date, and therefore the summary financial metrics presented on a security and unit basis do not reflect the proportionate holdings of an existing Securityholder pro forma Completion.

Table 2: Pro forma key financial metrics

	Pro forma 30 June 2020[1]	Pro forma Completion	
Key financial metrics	HMC	HMC	HDN
Balance sheet gearing[2] (%)	32.4 %	23.5 %	26.2 %
Look through gearing[3] (%)	32.4 %	28.8 %	26.2 %
Assets Under Management[4] ($ million)	1,200	1,476	860
Total assets[5] ($ million)	1,200	786	860
Total borrowings ($ million)	389	184	224
Adjusted Net Tangible Assets[6] ($ million)	791	583	641
Securities / units outstanding (millions)	257	257	483
Adjusted NTA[6] ($ p.s.)	$ 3.08	$ 2.27	$ 1.33

Note:

1. Pro forma 30 June 2020 includes the impact of HomeCo's equity raising and acquisitions announced on 1 July 2020 and reflects HomeCo's freehold properties segment only. Please refer to HomeCo's FY20 Results Presentation for further detail.
2. For HomeCo Daily Needs REIT, balance sheet gearing is defined as borrowings (excluding unamortised debt establishment costs) less cash and cash equivalents divided by total assets less lease liabilities and cash and cash equivalents. For HomeCo, balance sheet gearing is defined as borrowings (excluding unamortised debt establishment costs) less cash and cash equivalents divided by total assets excluding cash and cash equivalents, lease mitigation account, leasehold investment property and deferred tax assets.
3. Look through gearing is balance sheet gearing adjusted for cash, debt and assets in equity accounted investments (HomeCo's interest in HomeCo Daily Needs REIT).
4. For HomeCo Daily Needs REIT, Assets Under Management includes investment properties, other assets held for sale, rental guarantees, the option relating to the property in Vincentia, and is net of lease liabilities. Please refer to Section 6 of the PDS for further detail. For HomeCo, Assets Under Management includes HomeCo's freehold investment properties and HomeCo Daily Needs REIT's total assets.
5. For HomeCo Daily Needs REIT's, total assets includes investment properties, other assets held for sale, rental guarantees, the option relating to the property in Vincentia, and is net of lease liabilities. For HomeCo, total assets equals investment properties and co-investments.
6. For HomeCo, Adjusted NTA is net tangible assets (NTA) adjusted to exclude the lease mitigation account, leasehold investment properties, lease liabilities, and deferred tax assets. For HomeCo Daily Needs REIT, Adjusted NTA is equal to NTA. Note that Securityholders will receive 0.5 Units for every 1 Security owned, which translates to approximately $0.67 of HomeCo Daily Needs REIT Adjusted NTA for every 1 Security owned.

5.4 Pro forma statement of financial position

Table 3 presents the Pro Forma Historical Statement of Financial Position of HomeCo and reflects the 30 June 2020 financial position adjusted as if the Proposal and other significant transactions had occurred on that date. The fair value of the properties used in the Pro Forma Historical Statement of Financial Position are based on the 30 June 2020 audited annual financial statements of HomeCo. These fair values may differ to the fair value of the properties at the date of the Proposal due to changes in the operating performance of the properties and changes to market conditions including property capitalisation rates and valuation income.

Table 3: Pro forma statement of financial position

A$m	Audited HomeCo at 30 June 2020	July 2020 capital raising and acquisitions	Leasehold security restructure	Assets distributed to HDN[1]	Cash received from HDN	HomeCo co-investment in HDN	Other[5]	HomeCo pro forma at 30 June 2020
Cash and cash equivalents	29.6		(26.7)					2.9
Trade / other receivables	9.0		(2.8)					6.2
Current Assets	**38.6**	**-**	**(29.5)**	**-**	**-**	**-**	**-**	**9.1**
Investment properties – freehold[1]	1,013.8	185.9		(584.0)				615.7
Investment properties - leasehold	84.3		(84.3)					-
Co-investments	-					170.7		170.7
Deferred tax asset	141.1		(29.6)				(4.9)	106.6
Non Current Assets	**1,239.1**	**185.9**	**(113.9)**	**(584.0)**	**-**	**170.7**	**(4.9)**	**893.0**
Total Assets	**1,277.8**	**185.9**	**(143.4)**	**(584.0)**	**-**	**170.7**	**(4.9)**	**902.0**
Trade / other payables	40.7		(15.8)					24.9
Current Liabilities	**40.7**	**-**	**(15.8)**	**-**	**-**	**-**	**-**	**24.9**
Borrowings	361.4	27.8			(205.0)			184.1
Lease liabilities	143.1		(142.6)					0.5
Derivative financial liability	3.1							3.1
Non Current Liabilities	**507.6**	**27.8**	**(142.6)**	**-**	**(205.0)**	**-**	**-**	**187.7**
Total Liabilities	**548.3**	**27.8**	**(158.4)**	**-**	**(205.0)**	**-**	**-**	**212.6**
Net Assets	**729.5**	**158.1**	**15.1**	**(584.0)**	**205.0**	**170.7**	**(4.9)**	**689.4**

Key metrics

Securities on issue (m)	197.9	59.3						257.2
Adjusted NTA[2] ($ p.s.)	$ 3.20							$ 2.27
Balance sheet gearing[3] (%)	35.6 %							23.5 %
Look through gearing[4] (%)	35.6 %							28.8 %

Note:

1. Represents fair value as at 30 June 2020.
2. Adjusted NTA is net tangible assets (NTA) adjusted to exclude the lease mitigation account, leasehold investment properties, lease liabilities, and deferred tax assets.
3. Gearing is defined as borrowings (excluding unamortised debt establishment costs) less cash and cash equivalents divided by total assets excluding cash and cash equivalents, lease mitigation account, leasehold investment property and deferred tax assets.
4. Look through gearing is balance sheet gearing adjusted for cash, debt and assets in equity accounted investments (HomeCo's interest in HomeCo Daily Needs REIT).
5. Reduction in HomeCo's deferred tax asset as a result of the implementation of the Proposal.

5.5 Best estimate assumptions underlying the forecast financial information

The Forecast Financial Information is based on various best estimate assumptions, including those set out below, which should be read in conjunction with the risks of the Proposal set out in Section 3.7, as well as the risks set out in Section 7 of the PDS.

General assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- all tenant leases and leases entered into by HomeCo are enforceable and are performed in accordance with their terms;
- an average CPI rate of 1.5 % p.a.;
- no material acquisitions or disposals of investment properties, other than the investment properties being distributed within HomeCo Daily Needs REIT as part of the Proposal, as described in Section 3;
- no material increase in the level of Federal and State government restrictions due to COVID-19;
- all Victorian properties are fully operational during the forecast period, which would require movement to the next step of Victoria's re-opening roadmap;
- no material increase in the level of tenant defaults or decrease in property rental income collection rate;
- no material disputes or litigation;
- no material change in the competitive environment in which HomeCo operates;
- no material change in credit markets;
- no material changes to HomeCo's corporate or funding structure other than as set out in, or contemplated in, this Explanatory Memorandum;
- no material change in capital expenditure requirements from those included in the Forecast Financial Information caused by factors outside HomeCo's control;
- no significant change to the legislative regime and regulatory environment in the jurisdictions in which HomeCo operates;
- no significant amendment to any material contract relating to HomeCo's business;
- consistent application of the key accounting policies;
- no material changes in applicable AAS, other mandatory professional reporting requirements or the Corporations Act which have a material effect on HomeCo's financial performance, financial position, accounting policies, financial reporting or disclosure during the period;

- no material changes to the Australian tax legislation;
- HomeCo is registered for GST and the amounts presented in the Financial Information are net of GST to the extent that it is expected to be recovered by HomeCo;
- no underlying movement or revaluation of the fair value of the investment properties or other financial assets. This includes any mark-to-market movements in relation to HomeCo’s interest rate swaps, as the Directors do not believe such movements can be reliably estimated; and
- no realised gains or losses from the sale of investment properties, as the Directors do not believe such gains or losses can be reliably estimated.

Key assumptions

The key best estimate assumptions during the forecast period include:

- the Proposal proceeds in accordance with the timetable set out in this Explanatory Memorandum;
- no material change in economic environment; and
- rental income is in line with HomeCo’s forecasts on a property-by-property basis and is based on the contractual terms of each existing signed lease and signed MoUs.

6. OVERVIEW OF HOMECO DAILY NEEDS REIT

6.1 Overview

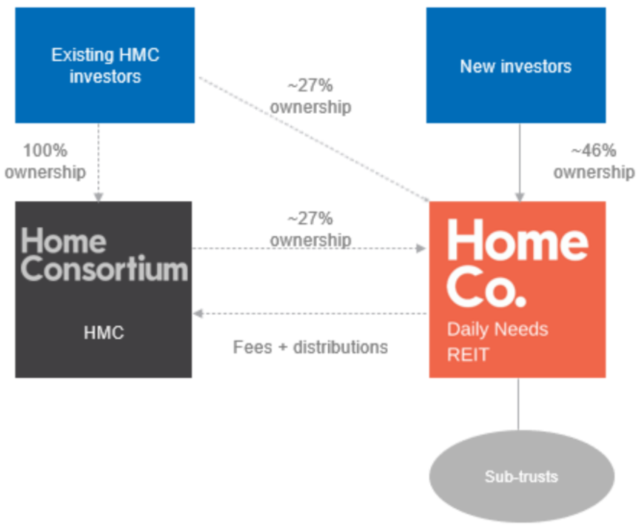
HomeCo Daily Needs REIT will be an Australian real estate investment trust listed on the ASX with a mandate to invest in predominately metro-located, convenience based assets across target subsectors of Neighbourhood Retail, Large Format Retail and Health & Services.

The construction of the portfolio and the weighting of the tenant mix towards non-discretionary retail is designed to provide exposure to defensive and sustainable income streams with future growth potential through structural lease escalations and acquisition opportunities.

On completion of the Proposal, HomeCo Daily Needs REIT's portfolio will consist of 15 stabilised, convenience focused Properties and a further 2 centres under development. Each operating centre will be anchored by leading brands backed by some of Australia's most successful retail organisations including predominately national retailers.

HomeCo Daily Needs REIT will be externally managed. The Responsible Entity is HMC Funds Management Limited (AFSL 237257) and the Managers are HomeCo DNR Property Management Pty Limited and HomeCo DNR Investment Management Pty Limited, each being a wholly owned subsidiary of HomeCo.

The ownership structure of HomeCo Daily Needs REIT at completion of the Proposal is set out below[10]:



6.2 Portfolio Summary

HomeCo Daily Needs REIT's portfolio consists of 15 operating centres and 2 centres under development with an independent valuation[11] of ~$844 million.[12] The Portfolio has a weighted average

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[10] Based on an Offer to raise $300 million.

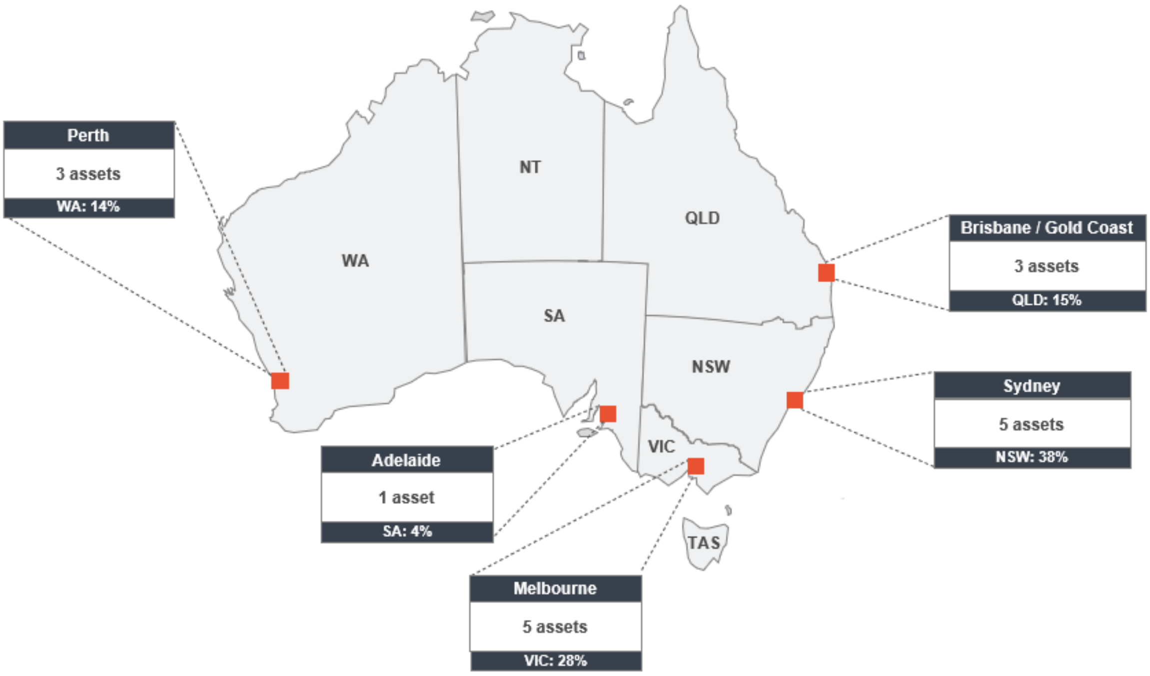
[11] Based on independent valuations as at 1 December 2020 for the 3 Acquisition properties, Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD, and as at 30 September 2020 for the remaining 14 properties.

[12] Includes all HomeCo Daily Needs REIT's assets, including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.

capitalisation rate of 5.95%[13], a WALE of 8.4 years[14] and is 98% occupied.[15] The Portfolio is geographically diversified in metropolitan growth corridors across New South Wales, Victoria, Queensland, Western Australia and South Australia.

Key portfolio statistics[16]

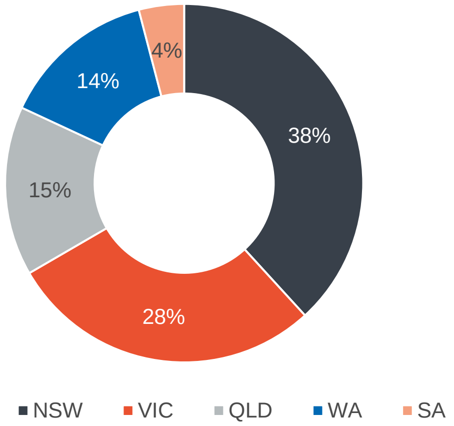
Number of properties	17
Independent Valuation[17]	~$844 million
Weighted average capitalisation rate (WACR)[18]	~5.95%
Occupancy (by GLA)[19]	98%
Weighted average lease expiry (WALE)[20]	8.4 years
Site coverage ratio	31%
Gearing	26%



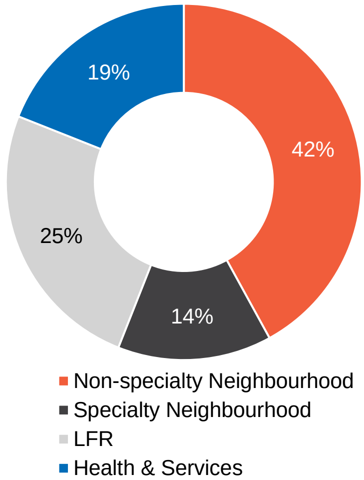
***Note**: 1. By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.*

[13] By Property value.
[14] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[15] Occupancy does not include Ellenbrook and Richlands.
[16] Portfolio statistics include all HomeCo Daily Needs REIT assets including the recent Acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[17] Based on independent valuations as at 1 December 2020 for the 3 Acquisition properties, Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD, and as at 30 September 2020 for the remaining 14 properties.
18 By property value.
19 Occupancy does not include Ellenbrook and Richlands.
20 By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.

Portfolio split by geography[21]



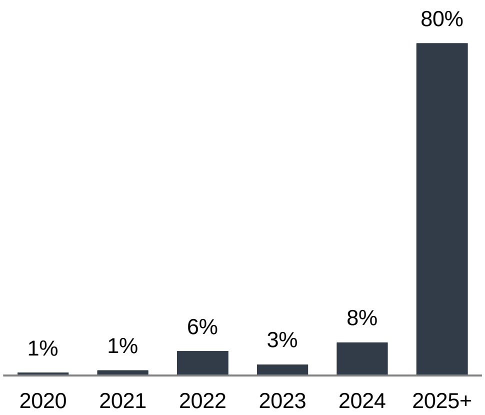
Tenant mix (by income) [22] [23]



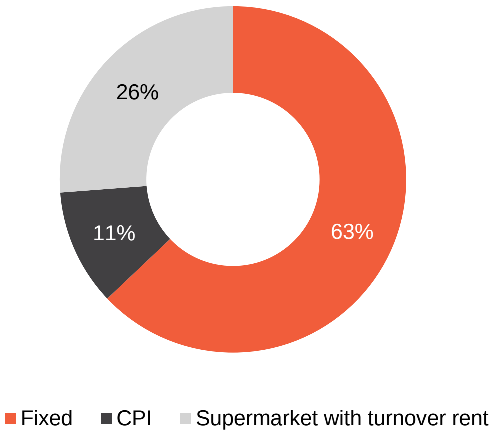
Geographically diverse portfolio with 94% located in metropolitan growth corridors.[24]

Defensive tenant mix with ~77%[25] exposure to national tenants and limited exposure to specialty retail (14%).

Lease expiry profile[26]



Rent review composition[27]



Long WALE of 8.4 years, with no more than 6% of rent expiring in any one year before 2023, and 80% expiring in 2025 or later.

Contracted rental growth with fixed escalation across 63% of the Portfolio with these tenancies having a weighted average rent review of 3.5% per annum.

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[21] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[22] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[23] Non-specialty Neighbourhood includes supermarket and pharmacists.
[24] Calculated by number of Properties, with 16 out of 17 Properties metro-located.
[25] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[26] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.

Portfolio summary metrics

Asset	State	Classification	Total GLA	Site area (sqm)	Site Coverage[28]	Trading occupancy[29]	Occupancy (by area) [30]	WALE[31]	Independent value ($m) [32]	Cap rate (%)
Braybrook	VIC	Operating	13,441	41,488	32.4%	71.7%	100.0%	9.1	58.0	6.00%
Hawthorn East	VIC	Operating	11,482	28,300	40.6%	97.9%	100.0%	10.6	68.0	5.50%
Keysborough	VIC	Operating	12,142	35,840	33.9%	86.4%	100.0%	10.5	40.5	6.25%
Mornington	VIC	Operating	11,136	35,949	31.0%	76.6%	99.5%	11.1	47.0	6.00%
Tingalpa	QLD	Operating	10,434	27,720	37.6%	94.1%	99.0%	6.2	33.0	6.50%
Penrith	NSW	Operating	11,643	30,150	38.6%	100.0%	100.0%	5.2	51.0	6.00%
Rosenthal	VIC	Operating	4,810	17,759	27.1%	98.0%	98.0%	8.3	30.5	5.50%
Prestons	NSW	Operating	5,169	15,790	32.7%	100.0%	100.0%	7.7	36.6	5.50%
Vincentia	NSW	Operating	9,419	68,127	13.8%	97.2%	97.2%	5.8	60.0	6.00%
Butler	WA	Operating	17,430	42,173	41.3%	94.2%	94.2%	9.1	40.5	6.75%
Joondalup	WA	Operating	17,414	44,260	39.3%	94.7%	97.6%	8.9	49.5	6.75%
Parafield	SA	Operating	15,539	42,707	36.4%	100.0%	100.0%	6.0	18.5	7.50%
Richlands	QLD	Development	12,503	48,610	25.7%	–	77.7%	12.4	23.5	6.50%
Ellenbrook	WA	Development	12,269	30,002	40.9%	2.7%	56.1%	9.4	12.5	7.00%
Gregory Hills	NSW	Acquisition	8,364	46,000	18.2%	100.0%	100.0%	9.9	68.9	5.50%
Glenmore Park	NSW	Acquisition	17,225	45,859	37.6%	96.0%	96.0%	6.6	148.5	5.50%
Coomera City Centre	QLD	Acquisition	7,419	28,720	25.8%	100.0%	100.0%	7.4	57.0	5.75%
Total Portfolio			**197,839**	**629,454**	**31.4%**	**93.1%**	**98.5%**	**8.4**	**843.5**	**5.95%**
Operating portfolio (incl. acquisitions)			173,067	550,842	31.4%	93.1%	98.5%	8.2	807.5	5.91%
Development portfolio			24,772	78,612	31.5%	-%	-%	11.8	36.0	6.67%
Total Portfolio (excl. acquisitions)			164,831	508,875	32.4%	92.0%	98.6%	8.7	569.1	6.14%

[28] Ratio of GLA to site area, where GLA does not include carparks.
[29] By GLA. Total excludes Richlands and Ellenbrook.
[30] BY GLA. Total excludes Richlands and Ellenbrook.
[31] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[32] Based on independent valuations as at 1 December 2020 for the 3 Acquisition properties, Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD, and as at 30 September 2020 for the remaining 14 properties.

Overview of the top 20 tenants[33]

Rank	Tenant	Category	Brands	% of income
1	Woolworths	Supermarket & liquor retail		15.4%
2	Coles	Supermarket & liquor retail		10.9%
3	Super Retail Group	Leisure & lifestyle retail		4.1%
4	Spotlight Group	Lifestyle & leisure retail		3.4%
5	IGA / Fresh & Save	Supermarket retail		3.3%
6	Amart	Furniture retail		3.0%
7	Goodlife	Gym		2.9%
8	Spudshed	Supermarket retail		2.7%
9	Chemist Warehouse	Pharmaceutical retail		2.5%
10	Aldi	Supermarket retail		1.7%
11	PETstock	Pet retail		1.7%
12	Tradezone	Electrical retail		1.6%
13	Wesfarmers	Leisure & lifestyle retail		1.5%
14	South Pacific Health Club	Gym		1.3%
15	Our Medical Home	Medical centre		1.1%
16	Nick Scali	Furniture retail		1.1%
17	Guardian Early Learning	Childcare		0.9%
18	The Good Guys Discount Warehouses	Leisure & lifestyle retail		0.9%
19	Aurrum	Childcare		0.8%
20	Baby Bunting	Nursery retail		0.8%

6.3 Objectives and strategy of HomeCo Daily Needs REIT

HomeCo Daily Needs REIT's objective is to provide Unitholders with exposure to a portfolio of stabilised predominately metro-located and convenience based assets targeting consistent and growing distributions.

HomeCo Daily Needs REIT intends to achieve its objective by:

- maintaining high quality and defensive exposure across sub-sectors (Neighbourhood Retail, Large Format Retail and Health & Services, tenants and geographies;
- employing a model portfolio construction informed by long term historical returns across sub-sectors;
- pursuing acquisition opportunities across targets sectors; and
- maintaining an appropriate capital structure.

6.4 Investment and asset management strategy

Investment philosophy

HomeCo Daily Needs REIT's investment philosophy focuses on making investment decisions based on underlying property fundamentals, qualitative analysis and identifying opportunities to unlock value through opportunities in the market.

The initial construction of the Portfolio has been informed by the Model Portfolio composition (see below). Whilst maintaining these principles, the Portfolio's composition will evolve over time, as the Responsible Entity continues to respond to changing trends in the retail landscape.

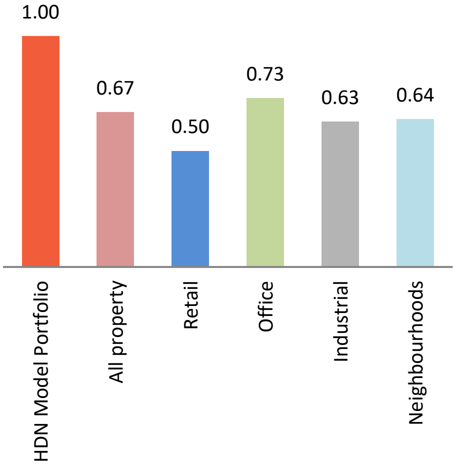
Model portfolio development

The Portfolio has been informed by the Model Portfolio, which consists of:

- 50% exposure to Neighbourhood Retail assets;
- 30% exposure to Large Format Retail; and
- 20% exposure to Health & Services.

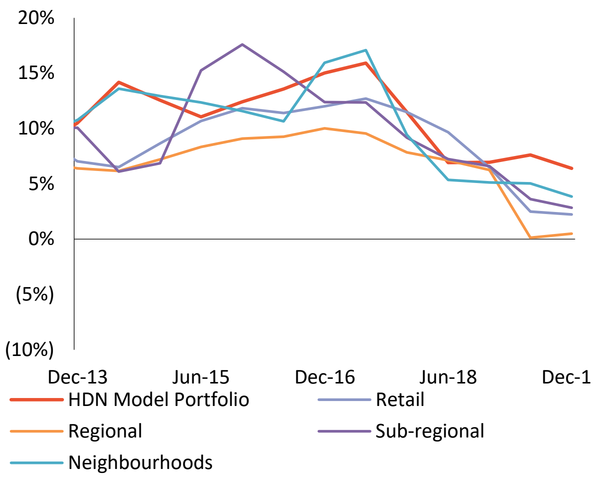
The Model Portfolio construction has been informed by long term historical analysis of returns across sectors, has displayed relatively low levels of correlation to traditional retail and property sectors and has demonstrated outperformance over a long period relative to the broader retail property sector.

Model Portfolio correlation versus property sector (2007 – 2019)[34]



Source: RIA; past performance not indicative of future performance

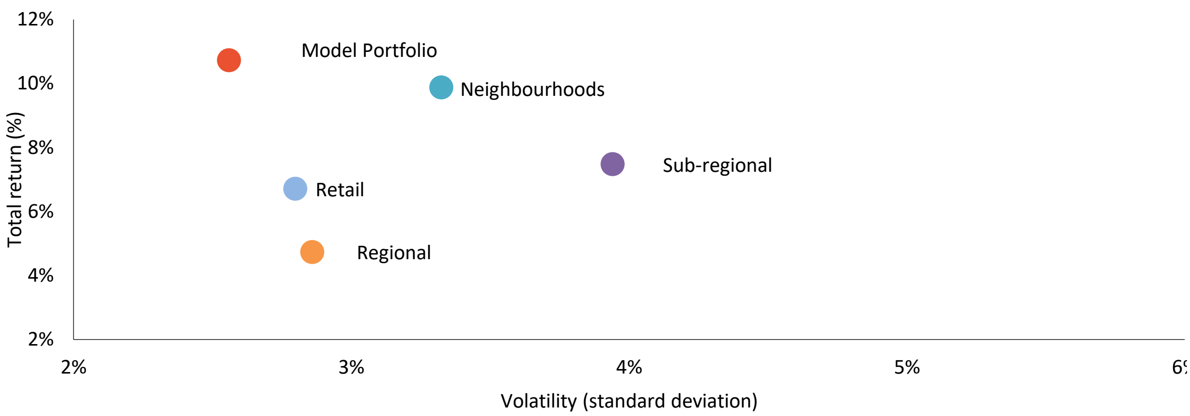
Total returns by sector (2013-2019)[35]



Source: RIA; past performance not indicative of future performance

This has resulted in the Model Portfolio displaying superior risk-adjusted returns relative to other retail property sub-sectors.

Total returns and volatility by sector (2013-2019)[36]



Source: RIA; past performance not indicative of future performance.

Properties in the portfolio are anchored by leading brands, including predominately national major supermarkets, daily needs and services businesses. The Portfolio has no exposure to department stores or discount department stores and limited exposure to specialty retail and fashion tenants.

[34] Correlation between total returns of each industry sub-section between 2007 and 2019 (Source: RIA).
[35] Chart reflects absolute property returns on a semi-annual basis comprising a combination of income return and capital return (movements in property valuation net of capex). Property returns are calculated based on individual assets and property portfolios on an unlevered basis; historical performance is not a predictor.
[36] Chart reflects absolute property returns on a semi-annual basis comprising a combination of income return and capital return (movements in property valuation net of capex). Property returns are calculated based on individual assets and property portfolios on an unlevered basis.

Rent charged to tenants at properties in the Portfolio is positioned competitively compared to other retail landlords. The average gross rent across the Portfolio is $349 per sqm,[37] which is attractive for tenants who are looking to reduce occupancy costs. This has resulted in greater earnings resilience than that of the broader retail sector amid the shift towards a more e-commerce driven economy and strong recent cash collection despite the impact of the COVID-19 pandemic. HomeCo Daily Needs REIT is well positioned to positively grow its rental income while retaining tenants for additional lease terms upon lease expiry by setting rents at the lower end of the retail cost curve.

Key features of the Portfolio include:

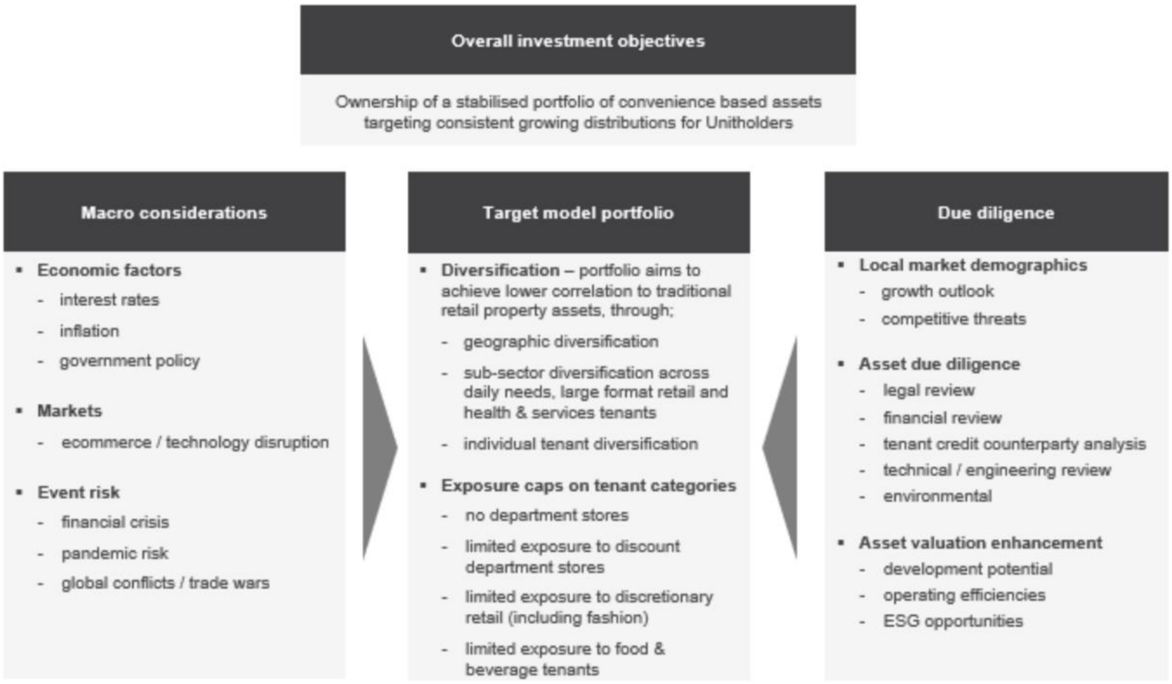
- a complementary mix of retailers and services;
- attractive locations that are close to large population centres, major road arterials and intersections, and public transport links;
- modern air-conditioned buildings with quality amenities (free WiFi, kids play centres, parent's rooms) and centre events (promotions, seasonal events);
- easy access with substantial on-grade car parking (~400 per centre, on average);
- convenient suburban locations rather than high-density, super-regional or CBD locations;
- a focus on daily needs and healthcare & wellness;
- over 60% of customers live less than a 15 minute 'drive and park' time away; and
- ability to social distance with minimal dwell time.

The Responsible Entity believes these features within each centre are key differentiating features

6.5 Investment process

HomeCo Daily Needs REIT intends to acquire additional Properties over time that are consistent with its objectives and represent value accretive investment opportunities that complement HomeCo Daily Needs REIT's strategy of targeting consistent the growing distributions.

[37] By gross income for signed leases and signed MoUs across all HomeCo Daily Need REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.



6.6 Asset management

To manage risk and maximise returns to Unitholders, the Managers will undertake ongoing assessments of leasing opportunities, tenant incentives and capital expenditure requirements while maintaining engagement with tenants. The Managers will look for ways to improve the tenant experience and amenities at the Properties in order to retain and attract tenants; protect or enhance revenue; and improve the experience and offerings for all users of the Properties.

6.7 Benefits of an investment in HomeCo Daily Needs REIT

Diversified and defensive portfolio

On completion of the Proposal, the Portfolio will consist of 15 operating centres and 2 centres under development with an independent valuation[38] of ~$844 million.[39]

Key features the Portfolio include:

- Geographic diversification:
  - Strategically located Properties with 94%[40] of Properties in metropolitan growth corridors across NSW, VIC, QLD, WA and SA.
  - Predominately metro-located assets; and
  - Geographic split of Portfolio assets informed by the national GDP contribution of each State.

[38] Based on independent valuations as at 1 December 2020 for the 3 Acquisition properties, Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD, and as at 30 September 2020 for the remaining 14 properties.
[39]. Includes all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[40] Calculated by number of Properties, with 16 out of 17 Properties metro-located.

- Diversified, high quality and defensive tenant exposure to convenience based daily needs real estate:
    - A high occupancy rate of 98%[41] and WALE of 8.4 years[42];
    - Tenants consisting of leading national retailers and service providers with approximately 77%[43] exposure to national tenants with limited exposure to specialty retail (14%)[44].
- A low site coverage ratio of 31% on a land bank holding of 629,000 sqm providing future expansion and alternate use opportunities.
- Supermarket anchored Neighbourhood Retail centres in the Portfolio have been accompanied with Large Format Retail.

Solid valuations and strong recent cash collection, despite COVID-19 disruption

The Properties in the Portfolio have been independently valued at 30 September 2020 with valuations remaining either materially unchanged or continuing to increase, whilst maintaining average cash collection of 94%[45] over the period July 2020 to September 2020. This has been a result of construction of the Portfolio composition in line with the Model Portfolio, resulting in exposure to predominately supermarket anchored neighbourhood shopping centres with exposure to LFR and limited exposure to specialty retail and fashion tenants:

- Neighbourhood Retail centres have experienced sales growth on a pickup in demand for essentials and an increased preference / need for consumers to shop locally for convenience and the ability to social distance; and
- for LFR centres, the homewares & electrical segment has performed well due to increased spending during the COVID-19 pandemic; the leisure & lifestyle segment has benefitted from government stimulus and an inability to travel, resulting in a shift in consumer spending towards lifestyle products.

Resilience to e-commerce trends

HomeCo Daily Needs REIT believes the Portfolio is better positioned to withstand structural changes relative to traditional regional and sub-regional shopping centres in the retail landscape due to increasing e-commerce, with ‘essentials’ exposure through supermarkets, pharmacists and childcare. The Portfolio has no exposure to department stores or discount department stores and limited exposure to specialty retail and fashion. Rents for the Portfolio’s LFR and Health & Services tenants are significantly lower compared to other retail subsectors, providing a high level of sustainability

HomeCo Daily Needs REIT is targeting consistent and growing distributions

HomeCo Daily Needs REIT is forecast to have an FY21 annualised Distribution Yield (based on the Offer Price) of 5.5% for the period from Completion to 30 June 2021, with 100% of the proposed FY21 distributions expected to be tax deferred.

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[41] Occupancy does not include Ellenbrook and Richlands
[42] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[43] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[44] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[45]Rent collection of contracted rent to 30 September 2020 at all HomeCo Daily Needs REIT assets, excludes Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.

The objective of delivering consistent and growing distributions is underpinned by a number of factors:

- stable and defensive operating portfolio, with a WALE of 8.4[46] years, significant national tenant exposure and limited specialty retail and fashion exposure;
- contracted rent escalations with fixed escalations on 63% of the portfolio (weighted average rent review across fixed leases of 3.5%[47] p.a.);
- average gross rent of $349 per square metre at the lower end of the retail landlord cost curve; and
- appropriate capital structure, with a target Gearing range of 30% - 40%.

Growth Opportunities

HomeCo Daily Needs REIT believes it offers an attractive growth profile supported by:

- **Structural lease escalations**: Fixed rental escalations for 63% of the Portfolio with these tenancies having a weighted average rent review of 3.5% per annum.[48]
- **Accretive developments**: HomeCo Daily Needs REIT will seek to redevelop existing Properties to drive value and growth through site optimisation and will take reasonable steps to mitigate development and delivery risk. This includes, but is not limited to, obtaining leasing pre-commitments and entering into fixed price contracts with builders and other service providers. HomeCo Daily Needs REIT has identified a pipeline of value enhancing development opportunities across a number of sites within the Portfolio with target returns on invested capital (ROIC) of 7-10%. These opportunities include:
  - **Pad sites**: Pad developments are the construction of new standalone tenancies outside the existing building in the car park;
  - **Expansions**: Expansion projects comprise the development of multiple tenancies either via new building developments or building extensions on vacant land or excess car parks; and
  - **Town centres**: Town centre developments encompass large scale projects on an existing site for new tenancies outside the existing building.
- **Acquisition opportunities**: HomeCo's sector expertise and the scale of its management platform positions HomeCo Daily Needs REIT to take advantage of acquisition opportunities within the Neighbourhood Retail sector, which is still largely privately owned. HomeCo will seek to identify acquisition opportunities to expand its portfolio and grow its market share.

Larger scale can contribute to enhanced leasing outcomes through increased access to and deeper relationships with tenants as well as cost efficiencies with service providers.

Demonstrated management expertise

HomeCo Daily Needs REIT will be managed by HomeCo.

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[46] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent Acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[47] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent Acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.
[48] By gross income for signed leases and signed MoUs across all HomeCo Daily Needs REIT assets including the recent Acquisitions: Glenmore Park Town Centre NSW, Gregory Hills Town Centre NSW and Coomera City Centre QLD.

HomeCo's team spans key investment management functions including property management, leasing, marketing, acquisitions and development. It is anticipated that HomeCo Daily Needs REIT will benefit from HomeCo's sophisticated management approach to maximise value by:

- leveraging HomeCo's relationships with tenants, contractors, suppliers and service providers;
- identifying assets with value-add development potential, obtaining council approvals to managing the construction and leasing of new tenancies; and
- undertaking due diligence and identifying potential future acquisitions for HomeCo Daily Needs REIT.

Experienced board and strong corporate governance

HomeCo Daily Needs REIT's board is comprised of experienced and credentialed individuals. The appointed Non-Executive Directors have a diverse range of expertise, financial and commercial experience and property industry knowledge and other skills that enable them to bring independent judgement to board deliberations and decisions.

Alignment of interests between HomeCo and HomeCo Daily Needs REIT

HomeCo's interests are aligned with HomeCo Daily Needs REIT's through maintaining an investment which, following the Offer, will be approximately 27% of the total Units on issue.

HomeCo will enter into a voluntary escrow arrangement which prevents HomeCo from disposing of any Units held at Completion for 1 year from Completion.

6.8 Summary financial information for HomeCo Daily Needs REIT

The summary forecast pro forma profit and loss statements and statement of financial position for HomeCo Daily Needs REIT are presented below. This financial information is presented in an abbreviated form. For further financial information on HomeCo Daily Needs REIT, please refer to Section 6 of the PDS.

Table 4: Summary forecast pro forma FFO

A$m	Completion Date to 30 June 2021[1]	6 months to 30 June 2021
Net property income	27.8	24.0
Responsible Entity fees	(4.5)	(3.9)
Other corporate expenses	(1.1)	(0.9)
EBITDA	**22.2**	**19.2**
Interest expense	(3.4)	(2.9)
FFO	**18.8**	**16.3**

Table 5: Summary key metrics

FFO per Unit (cents)	3.9	3.4
FFO payout ratio (%)	109 %	107 %
Distributions (A$m)	20.5	17.5
Distributions per Unit (cents)	4.2	3.6
Annualised Distribution Yield[2] (%)	5.5 %	5.5 %
Tax deferred component[3] (%)	100 %	100 %
Weighted average number of units (millions)	483	483

Note:

1. Assuming the Proposal is implemented on the Completion Date (26 November 2020).
2. The yields for the periods from the Completion Date to 30 June 2021 and for the 6 months to 30 June 2021 have been calculated as the annualised amounts of the distributions expected to be paid in March 2021 and September 2021 respectively (i.e. multiplied by 365 and divided by 216 days from the Completion Date to 30 June 2021, and 181 days for 6 months to 30 June 2021 respectively), divided by the Offer Price.
3. Tax deferred components of forecast Distributions for Australian income tax purposes are determined in accordance with prevailing Australian tax legislation as at the time of preparing the Offer document. See Section 11 of the PDS for further details.

Table 6: Summary pro forma statement of financial position at Completion

A$ 000s	At the Completion Date
Cash and cash equivalents	5,000
Investment properties[1]	825,040
Right-of-use assets	29,081
Other assets[2]	16,919
Total assets	**876,040**
Borrowings[3]	224,255
Lease liabilities	10,900
Total liabilities	**235,155**
Net assets	**640,885**

Table 7: Key metrics

Units on issue (millions)	483
NTA per Unit (A$)	$ 1.33
Gearing[4] (%)	26.2 %

Note:

1. Investment property valuations are based on the Independent Valuations set out in Section 10 of the PDS.
2. 'Other assets' in the summary pro forma statement of financial position includes rental guarantees, other assets held for sale and other assets, as set out in Section 6 of the PDS.
3. Non-current interest bearing borrowings balance represents $231 million, net of unamortised debt establishment costs of $6 million.
4. Gearing is defined as Borrowings (excluding unamortised debt establishment costs) less Cash and cash equivalents divided by Total Assets less Lease liabilities less Cash and cash equivalents.

6.9 Distribution policy

HomeCo Daily Needs REIT expects to target a normalised distribution payout ratio of 90% to 100% of FFO once its portfolio is fully stabilised, with FY21 distributions expected to be 100% tax deferred. A payout ratio below this target may be adopted in circumstances where HomeCo Daily Needs REIT has identified value-accretive investment opportunities. The board of the Responsible Entity retains the discretion to vary the distribution policy.

The Responsible Entity intends to pay distributions quarterly, with Unitholders to receive distributions within 2 months following the end of each distribution period, being the three months ending 31 March, 30 June, 30 September and 31 December. The first distribution is expected to be paid in May 2021. The table below sets out the expected distribution schedule:

Quarter ending	Paid by
31 March	31 May
30 June	31 August
30 September	30 November
31 December	28 February

The Responsible Entity will continue to monitor the appropriateness of the distribution policy to ensure that it meets the ongoing objectives of HomeCo Daily Needs REIT and is in the best interests of Unitholders.

6.10 Board of Directors

Following implementation of the Proposal, the board of the Responsible Entity will comprise non-executive Directors, and the majority of Directors will be considered independent for the purposes of the ASX Recommendations. As the majority of the board of the Responsible Entity comprises external Directors, the Responsible Entity is not required to establish a compliance committee for the purposes of the Corporations Act.

Simon Shakesheff – Independent Non-Executive Chairman

- Non-Executive Director of Cbus Property, Assembly Funds Management, Kiwi Property and St George Community Housing
- Formerly Head of Strategy and Stakeholder Relations at Stockland Trust Group from 2013 to 2018 where Simon was responsible for Strategy, Research and Stakeholder Relations, and a member of the Executive Committee
- Over 30 years of experience in the finance and real estate industry including 19 years as an equities analyst covering listed real estate and retail companies at Macquarie Bank and JP Morgan, and a further six years as a corporate advisor to major real estate groups, at UBS and Bank of America Merrill Lynch

Simon Tuxen – Independent Non-Executive Director

- Non-Executive Director of Racing New South Wales
- Former General Counsel and Company Secretary at Westfield from 2002 to 2018
- Prior to joining Westfield in 2002, Simon was General Counsel of BIL International Limited in Singapore, Group Legal Manager of the Jardine Matheson Group in Hong Kong and a partner with Mallesons Stephen Jaques (now King & Wood Mallesons) from 1987 to 1996

Stephanie Lai – Independent Non-Executive Director, Chair of Audit and Risk Committee

- Non-Executive Director of Superloop and Future Generation Investment Company
- Over 20 years' experience as a Chartered Accountant and is a former M&A partner of Deloitte and KPMG
- Stephanie has significant experience providing due diligence and advisory services, including forecast reviews to listed entities, sovereign wealth funds, wealth managers and private equity
- Stephanie holds a Bachelor of Business (University of Technology Sydney) and is a Graduate Member of the Australian Institute of Company Directors and the Institute of Chartered Accountants (Australia and New Zealand).

David Di Pilla – Non-Executive Director

- Executive Chairman and Chief Executive Officer of Home Consortium
- Founder, director and major shareholder of Aurrum
- Former strategic advisor and director to operating subsidiaries of the Tenix group of companies from 2014 to 2016
- Over 20 years of experience in investment banking. From 2004 to 2015, David was Managing Director and Senior Adviser at UBS, Australia and during this time he advised some of Australia's largest corporations on mergers and acquisitions, debt and equity capital market transactions

Greg Hayes – Non-Executive Director

- Non-Executive Director of Home Consortium
- Director of Aurrum and Ingenia Communities and Precision Group
- Former Chief Financial Officer and Executive Director of Brambles Limited, Chief Executive Officer & Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and interim CEO of the Australian Gaslight Company (AGL), Chief Financial Officer Australia and New Zealand of Westfield Holdings, and Executive General Manager, Finance of Southcorp Limited
- Holds a Master of Applied Finance, a Graduate Diploma in Accounting, a Bachelor of Arts, completed an Advanced Management Programme (Harvard Business School)

6.11 External management team

The external management team will comprise a group of professionals with experience in asset and funds management and property investment and management. It will have skills across the key disciplines of asset management, project and development management and asset finance.

The Managers are intending to employ professionals who will be directly responsible for the operation and management of the Portfolio under the Management Agreements. At the date of this PDS, those professionals have been identified but have not yet commenced employment. Pending the commencement of their employment, the management team will comprise the following HomeCo executives on an interim basis.

Sid Sharma – HomeCo Chief Operating Officer

Sid joined HomeCo in 2019 and oversees the day to day operational functions of the business including leasing, property management, development, asset management and marketing.

Sid has extensive retail operations and property experience and has previously held executive roles at DEXUS, Woolworths and Westpac across leasing, asset management, developments and operations. Sid holds a Bachelor of Laws and Bachelor of Business (Economics & Finance) from WSU and was recipient of the Vice Chancellors leadership scholarship. Most recently, he was Chief Operating Officer at SCA Property Group.

Will McMicking – HomeCo Chief Financial Officer

Will was a part of the team that established HomeCo and is responsible for overseeing all of the Finance and Strategy functions across the business. Will is also a shareholder of Aurrum.

Will is a Member of the Institute of Chartered Accountants and has over 10 years investment banking and corporate finance experience having previously held roles at UBS Australia and EY.

Andrew Selim – HomeCo General Counsel and Company Secretary

Andrew Selim joined HomeCo in 2017 and is General Counsel and Company Secretary. He is responsible for all legal, compliance and governance activities of the group. Andrew has over 17 years of local and international experience in real estate and corporate law.

Before joining HomeCo, Andrew was Senior Legal Counsel and Company Secretary at The GPT Group. Prior to that, he was a Senior Associate at Allens Linklaters. Andrew holds a Master of Laws, Bachelor of Laws (Honours) and Bachelor of Science (Advanced), all from the University of Sydney. He is a Member of the Governance Institute of Australia, a Member of the Association of Corporate Counsel Australia and is a Member of the Australian Institute of Company Directors. He previously sat on the Law Society of NSW In-House Corporate Lawyers Committee. Andrew has also been recognised in The Legal 500 GC Powerlist and Doyles Best Lawyers Guide as a leading in-house lawyer.

6.12 Corporate governance

The Responsible Entity is wholly owned by HomeCo. Unitholders will have the power to replace the Responsible Entity by a majority vote of Unitholders but not to appoint or remove the HomeCo directors themselves. The consequences of replacing the Responsible Entity are described in sections 13.4 and 13.5 of the PDS.

It is proposed that the board of the Responsible Entity will establish appropriate corporate governance policies consistent with the ASX Corporate Governance Principles and Recommendations 4th edition, developed by the ASX Corporate Governance Council. For further information on HomeCo Daily Needs REIT's governance arrangements, please see section 5.7 of the PDS.

7. TAX INFORMATION FOR SECURITYHOLDERS

The following is a general summary of the Australian income tax, GST and stamp duty implications arising for Securityholders as a result of the Capital Distribution. As this summary is necessarily general in nature, Securityholders should consult with their professional tax advisor regarding their particular circumstances.

This tax summary only addresses the position of Securityholders who are residents and non-residents of Australia for income tax purposes and hold their Securities on capital account.

This tax summary does not address the Australian tax consequences for Securityholders who:

- hold their Securities or Units on revenue account or as trading stock;
- are subject to the Taxation of Financial Arrangement provisions (Division 230 of the Income Tax Assessment Act 1997) in relation to gains and losses in respect of their Securities or Units;
- are non-residents of Australia who hold their Securities or Units in carrying on a business at or through a permanent establishment in Australia; or
- acquired their Securities under a HomeCo employee incentive plan.

This tax summary does not address any tax consequences of the Capital Distribution arising under the laws of jurisdictions other than Australia. This summary is based on Australian tax law and relevant regulations, rulings or judicial or administrative interpretations of such tax laws as at the date of this Explanatory Memorandum.

7.1 Class ruling

HomeCo has applied to the ATO requesting a class ruling to confirm the key income tax implications of the Capital Distribution for Securityholders. The Capital Distribution will be undertaken by way of an in-specie distribution of the units of HomeCo Daily Needs REIT via a capital reduction.

This tax summary is based on the ATO's preliminary, but considered, views in respect of the income tax consequences of the Capital Distribution, and it is expected that the final class ruling will be consistent with this summary.

When the final class ruling is published by the ATO, it will be available on the ATO website at www.ato.gov.au. Securityholders should review the final class ruling when it is issued by the ATO.

7.2 No demerger tax relief

The Capital Distribution will not qualify as a "demerger" for the purposes of applying demerger taxation relief under Division 125 of the Tax Act. Accordingly, no demerger taxation relief will be available for Securityholders.

7.3 Australian resident Securityholders

The Capital Distribution should not be a dividend or treated as ordinary income for Securityholders for Australian income tax purposes. Further, it is not anticipated that the ATO will make a determination to treat the Capital Distribution as a dividend for tax purposes under Section 45B of the Tax Act.

For Australian Capital Gains Tax (**CGT**) purposes, each Security comprises 2 separate assets, being a share in HCL and a share in HCDL. The following CGT consequences should arise for Australian tax resident Securityholders in respect of the Capital Distribution on their HCL Share:

Securityholders who hold their Securities on both the Capital Distribution Record Date and the Capital Distribution Date

CGT event G1 will happen for Securityholders in respect of the Capital Distribution on the Capital Distribution Date. Under CGT event G1, the cost base and reduced cost base of each HCL Share will be reduced by the amount of the Capital Distribution (but not below nil) in respect of that share and a capital gain will arise to the extent that the amount of the Capital Distribution in respect of that HCL Share exceeds the cost base of that share.

Securityholders who hold their Securities on the Capital Distribution Record Date but no longer hold them on the Capital Distribution Date

Securityholders who dispose of their HCL Shares after the Capital Distribution Record Date and before the Capital Distribution Date still have a right to the Capital Distribution in respect of those shares. CGT event C2 happens for these Securityholders when the right ceases to exist at the time of the Capital Distribution. A capital gain will arise to the extent that the market value of the Units received exceeds the cost base of the right to the Capital Distribution. This cost base will likely be nil.

CGT Discount

A capital gain made from CGT event G1 or C2 will be a discount capital gain for a Securityholder that is an individual, trust or complying superannuation entity and acquired the HCL Shares at least 12 months before the Capital Distribution Date. The discount factor will vary depending on the tax profile of the Securityholder. Specifically, the discount factor for resident individuals and trusts is 50% and for complying superannuation entities is 33.33%.

7.4 Non-resident Securityholders

For Securityholders who are not Australian tax residents, any capital gain under CGT event G1 in relation to the Capital Distribution should be disregarded if the HCL Shares are not "taxable Australian property".

HCL Shares should generally only be taxable Australian property for non-resident Securityholders who:

- just before the CGT event or throughout a 12 month period that began no earlier than 24 months before that time, the Securityholder, either alone or together with their associates, holds a 10% or greater shareholding interest in HCL Shares and more than 50% of the value of HCL's assets is attributable to Australian real property; or
- are individuals who made an election to disregard a CGT event I1 capital gain or capital loss in respect of their HCL Shares when they ceased to be an Australian tax resident.

For Securityholders who are not Australian tax residents, any capital gain under CGT event C2 in relation to the Capital Distribution should be disregarded if the right to acquire the Units are not "taxable Australian property".

The right to acquire the Units should generally only be taxable Australian property for non-resident Securityholders who:

- just before the CGT event or throughout a 12 month period that began no earlier than 24 months before that time, the Securityholder, either alone or together with their associates, holds a right to acquire 10% or greater of the Units and more than 50% of the value of HomeCo Daily Needs REIT's assets is attributable to Australian real property; or
- are individuals who made an election to disregard a CGT event I1 capital gain or capital loss in respect of their Units when they ceased to be an Australian tax resident.

7.5 Acquisition of Units under the Capital Distribution

The first element of the cost base and reduced cost base for a Unit acquired under the Capital Distribution should be equal to the market value of the Unit on the Capital Distribution Date.

For CGT purposes (including eligibility for the CGT discount concession), the Unit should be treated as having been acquired on the Capital Distribution Date.

The tax implications for Unitholders of holding and disposing of the Units are as set out in Section 11 of the PDS.

7.6 Other matters

GST

No GST should be payable by Securityholders in respect of the Capital Distribution. There may be an indirect GST cost for GST registered Securityholders on any costs they incur, as input tax credits will generally not be available for GST incurred in respect of supplies relating to the dealings with these Securities (e.g. legal and other adviser fees). This will depend on the circumstances of the particular Securityholder.

Stamp duty

No stamp duty should be payable by Securityholders in respect of the Capital Distribution provided that HomeCo Daily Needs REIT is admitted to the ASX and all of the units of HomeCo Daily Needs REIT are quoted on the ASX at the time the Units are transferred on the Capital Distribution Date and provided that the Units transferred under the Capital Distribution will not represent 90% or more of the issued capital of HomeCo Daily Needs REIT.

8. HOMECO MEETING AND SECURITYHOLDER APPROVAL

8.1 General

HomeCo seeks Securityholder approval under the Capital Distribution Resolution to enable HomeCo to reduce its capital by the distribution of specific assets to Securityholders, being approximately 129 million ordinary units in HomeCo Daily Needs REIT.

Section 256C of the Corporations Act

The Capital Distribution involves an equal reduction of capital by way of an in specie distribution to Securityholders. Under section 256B of the Corporations Act, the Company may only reduce its capital if it:

- is fair and reasonable to Securityholders as a whole;
- does not materially prejudice HomeCo's ability to pay its creditors; and
- is approved by Securityholders in accordance with section 256C of the Corporations Act.

The Board believes that the Capital Distribution is fair and reasonable to Securityholders as a whole and does not materially prejudice HomeCo's ability to pay its creditors. This is because each Securityholder is treated equally and in the same manner since the terms of the reduction of capital are the same for each Securityholder. The Capital Distribution is on a pro rata basis, and the proportionate ownership interest of each Securityholder remains the same before and after the Capital Distribution.

In accordance with the Corporations Act:

- the Capital Distribution is an equal reduction (to be 100% applied to HCL) and requires approval by an ordinary resolution passed at a general meeting of Securityholders;
- the Notice, this Explanatory Memorandum, the PDS and previous ASX announcements set out all information known to HomeCo that is material to the decision on how to vote on the Capital Distribution Resolution; and
- HomeCo has lodged with ASIC a copy of the Notice and this Explanatory Memorandum.

ASX Listing Rule 7.17

Listing Rule 7.17 provides, in part, that if a listed entity, in offering securityholders an entitlement to securities in another entity, it must offer those securities pro rata or in such other way as, in ASX's opinion, is fair in all the circumstances. In addition, there must be no restriction on the number of securities which a securityholders holds before this entitlement accrues. The Capital Distribution satisfies the requirements of Listing Rule 7.17 because the issue of Units is being made to Securityholders on a pro rata basis, and there is no restriction on the number of Securities a Securityholder must hold on the Capital Distribution Record Date before the entitlement to the Units under the Capital Distribution accrues.

8.2 Voting

The Capital Distribution Resolution will be passed by ordinary resolution only if it has been passed by at least 50% of the votes cast by Securityholders entitled to vote on that resolution.

Each Securityholder will be eligible to attend and vote, either virtually or by proxy, at the Meeting if they are registered holders of Securities as at 16 November 2020 at 7.00pm (Sydney time).

The Capital Distribution Resolution will be decided by way of a poll. Each Securityholder has one vote for every Security they hold.

If you do not vote or vote against the Capital Distribution Resolution, but the resolution is nonetheless approved by the required majority of Securityholders, then the Proposal will be implemented and will be binding on all Securityholders.

9. ADDITIONAL INFORMATION

9.1 Implementation Deed

The Implementation Deed is between HCL, HCDL and the Responsible Entity. This deed sets out the procedures to be followed to implement the Proposal and other related matters. In addition to those elements of the Proposal described elsewhere in this Explanatory Memorandum, the Implementation Deed deals with the matters discussed in this Section.

Agreement to implement the Proposal

The parties agree to do all things reasonably necessary to implement and give effect to the Proposal, subject to their constitutions, the Implementation Deed, any of their material obligations and applicable laws. This includes using best endeavours to ensure satisfaction of the conditions precedent (see below).

Conditions precedent

The implementation of the Proposal is subject to:

- ASIC, ASX and any other regulatory authority providing such consents or approvals or having done such other acts which the parties agree are required to implement the Proposal and those consents or approvals are not withdrawn, cancelled or revoked;
- admission of the REIT to the official list of ASX and for official quotation of the Units having commenced;
- the Offer not having been withdrawn by the Responsible Entity and the Underwriting Agreement not having been terminated or any condition precedent in the Underwriting Agreement not having become incapable of being satisfied;
- approval by HomeCo Securityholders at the Meeting of the Capital Distribution by the requisite majorities;
- HomeCo has obtained all necessary consents under its existing debt facilities to undertake the Proposal and such consent not having been withdrawn or any conditions to such consent not having become incapable of being satisfied;
- no judgement, order, rule or regulation, restraint or prohibition is entered, enacted, enforced or issued by any court or government agency remains in effect as at 8.00am on the date the REIT is admitted to the official list of ASX and official quotation of Units commences that prohibits, materially restricts, makes illegal or restrains the completion of the Proposal; and
- the Debt Facility is entered into and all conditions precedent to the Sale Contracts and the Debt Facility, in each case, being satisfied or waived or, in the case of the Debt Facility, will be satisfied on first utilisation under the Debt Facility.

Termination

A party may terminate the Implementation Deed by notice in writing to the other parties if a condition precedent becomes incapable of satisfaction, and the breach or non-fulfilment of the condition precedent that would otherwise occur has not already been waived.

HomeCo may also terminate the Implementation Deed by giving written notice to the Responsible Entity at any time before the Capital Distribution is approved.

Limitation of liability

The liability of the Responsible Entity is limited to the extent it can be satisfied out of the assets of the REIT and for which it is actually indemnified for the liability. The other parties may not bring proceedings against the Responsible Entity in any capacity other than as responsible entity of the REIT.

The liability of the Responsible Entity is not limited in the above manner to the extent there is a reduction in the extent of its indemnification out of the assets of the REIT under the Constitution or, by operation of law, there is a reduction as a result of its fraud, wilful default, negligence or breach of trust.

9.2 Investment Management Agreement

Management Services

Under the Investment Management Agreement, the Investment Manager has been delegated the day-to-day control over the REIT and its controlled entities (the **Group**) and the Group's portfolio of assets, subject to the supervision and control of the Responsible Entity and the terms of the agreement.

Services to be provided by the Investment Manager to the REIT and its controlled entities (the **Services**) include investment management services with respect to dealings in the Group's assets, management of the equity and debt financing of the Group, day-to-day management of the Group's secretarial, accounting, administrative and reporting, management of auditors, advisers and other consultants, Unitholder relations and meetings, management of all compliance and contractual requirements, including with respect to ASX listing obligations, preparation of an operating plan (including a budget) for the Group for each financial year, and other services agreed by the Investment Manager and the Responsible Entity. The Investment Manager is not required to provide any Services to the extent to that they would comprise services or activities that would require the Investment Manager to hold an Australian Financial Services Licence or that the Responsible Entity cannot delegate to the Investment Manager under law. The Property Manager will separately provide property management services to the Responsible Entity and the Group under the Property Management Agreement.

The Investment Manager must act in accordance with the requirements of the REIT's investment policy and any applicable legal and other requirements. The Responsible Entity may at any time overrule the Investment Manager to the extent that the Responsible Entity believes doing so is necessary or advisable to comply with any applicable requirement or in the best interests of the Unitholders. The Investment Manager must also seek the approval of the Responsible Entity before incurring any expenditure in excess of the lower of $200,000 and 10% of the expenditure which has been agreed by the Responsible Entity in an annual operating plan for the relevant financial year and entering into any contract in the name of the Responsible Entity or any Group member to acquire or dispose of any asset for a consideration in excess of $5,000,000 (whereby both thresholds are increased annually by 5%).

Exclusivity

During the term of the Investment Management Agreement, the Responsible Entity must not appoint any other party to perform the Services except where it is necessary to comply with applicable law or regulation, the terms of the REIT's financing arrangements or other applicable requirements, or as otherwise permitted by the Investment Manager. The Investment Manager and its associates may from time to time perform services for itself and other parties the same as or similar to the services provided under the Investment Management Agreement.

Right of first offer

The Investment Manager intends to first offer to the Responsible Entity any opportunity to acquire an investment in convenience real estate assets that the Investment Manager identifies or its associates (including the Responsible Entity), or any of their officers, directors, or employees (acting in that capacity), identify and which falls within the REIT's investment strategy (subject to certain exceptions, including where the opportunity is subject to third party rights or the Investment Manager or the HomeCo Group would be in breach of any law or document to do so).

Term and termination

The Investment Management Agreement commences on Completion.

The initial term of the agreement is 10 years and is automatically extended for successive five year terms unless terminated by either the Investment Manager or the Responsible Entity by giving at least 12 months' notice prior to the end of the initial term or any successive five year term. This means that the initial term of the agreement is at least 10 years unless otherwise terminated in one of the circumstances referred to below.

Where the Responsible Entity gives the required notice that it does not wish to extend the agreement at the end of a term, termination in this circumstance will give rise to the payment of a compensation amount to the Investment Manager equal to two years' management fees determined as at the date of expiry or termination of the Investment Management Agreement.

Manager's termination rights

The Investment Manager can terminate the Investment Management Agreement:

- at any time on 90 days' notice to the Responsible Entity, if there is a bona fide sale of all or substantially all of the assets of the Group to a third party on an arm's length basis; or
- immediately if:
    - there is a material default of the agreement by the Responsible Entity which is not rectified (including by way of payment of reasonable compensation) within 90 days of written notice from the Investment Manager;
    - the Responsible Entity commits five or more breaches of the Investment Management Agreement within a consecutive 12 month period (provided that the Investment Manager has provided notice to the Responsible Entity of each individual breach within 30 days of becoming aware of the relevant breach);
    - the Responsible Entity is insolvent (and is not replaced by another trustee within 60 days of becoming insolvent);
    - the REIT is insolvent; or
    - without prior written approval of the Investment Manager, there is a change in a person having, or a person gaining control of the ability to remove the Responsible Entity or the REIT, the Responsible Entity is replaced by a responsible entity that is not a member of the HomeCo Group or a winding-up of the REIT commences (provided that, in each case, notice of termination is provided within 90 days of the Investment Manager becoming aware of the change of control).

In addition, the Investment Manager can terminate the agreement on 20 business days' notice where there is a variation to the investment policy of the REIT, and the Investment Manager considers the variation will have a material effect on the Investment Manager's obligations, liability or risk under the agreement.

Termination by the Investment Manager in these circumstances will give rise to the payment of a compensation amount to the Investment Manager equal to two years of management fees determined as at the date of expiry or termination of the Investment Management Agreement

Responsible Entity's termination rights

The Responsible Entity can terminate the Investment Management Agreement:

- on 60 days' notice to the Investment Manager, if there is a bona fide sale of all or substantially all of the assets of the Group to a third party on an arm's length basis; or

- immediately if:
  - a change in a person having, or person gaining control of the ability to remove the Responsible Entity, the Responsible Entity being replaced by a trustee who is not a member of the HomeCo Group, the winding-up of the REIT commences (provided that, in each case, notice of termination is provided within 90 days of the Responsible Entity becoming aware of the change of control); or
  - the Investment Manager ceases to be a member of the HomeCo Group (provided that notice of termination is provided within 90 days of the Responsible Entity becoming aware of the Investment Manager ceasing to be a HomeCo Group Member),

and in these circumstances, a compensation amount equal to 24 months' management fees (calculated based on the consolidated GAV) under the agreement will be payable to the Investment Manager; or

- immediately if:
  - there is a material default of the agreement by the Investment Manager which is not rectified (including by way of payment of reasonable compensation) within 30 days of written notice from the Responsible Entity;
  - the Investment Manager commits five or more breaches of the Investment Management Agreement within a consecutive 12 month period (provided that the Responsible Entity has provided notice to the Investment Manager of each individual breach within 30 days of becoming aware of the relevant breach); or
  - the Investment Manager is insolvent and is not replaced by the HomeCo Group with another manager within 60 days of becoming insolvent,

and in these circumstances, no compensation amount will be payable to the Investment Manager.

Fees

The Investment Manager is entitled to receive a management fee of 0.65% per annum of the GAV up to and including $1.50 billion, and 0.55% per annum of GAV on GAV in excess of $1.50 billion. The management fee is payable monthly in arrears.

The Investment Manager is also entitled to:

- an acquisition fee of 1.00% of the purchase price of any assets directly or indirectly acquired by the REIT in proportion to the REIT's economic interest in the asset; and
- a disposal fee of 0.50% of the sale price of any assets directly or indirectly disposed of by the REIT in proportion to the REIT's economic interest in the asset

Units in lieu of management fees

The management fees described above may be paid to the Investment Manager in cash or Units or a combination (at the election of the Investment Manager). If the Investment Manager elects to receive Units, it may require some or all of the Units to be issued to a nominee of the Investment Manager. The issue of Units is subject to the requirements of the Corporations Act and the Listing Rules.

If the Investment Manager elects to receive Units with respect to some or all of a management fee amount (plus any GST payable in respect of that amount), the number of Units to be issued to the Investment Manager (or its nominee) will be calculated by reference to the volume weighted average price of the Units during the period of 5 trading days up to the end of the relevant month to which the management fee relates.

Costs and expenses

The Investment Manager is entitled to be reimbursed for all costs and expenses it reasonably and properly incurs as Investment Manager (whether on its own behalf or on behalf of the Responsible Entity, a Group Member, or the Custodian) other than its own overhead, administrative or salary expenses incurred in the ordinary conduct of its business or expenses that arise as a result of the negligence, fraud, wilful misconduct or dishonesty of the Investment Manager or any officer, employee, delegate, agent or contractor of the Investment Manager. The Investment Manager must seek the approval of the Responsible Entity where expenditure would exceed the prescribed thresholds.

If the Investment Manager delegates, appoints an agent or service provider, or otherwise engages a third party (including an associate) to provide a service to the Responsible Entity (or Group Member Custodian) that would not customarily be provided by the Investment Manager, the Responsible Entity will be liable to pay for the expenses incurred as a result of that delegation or appointment, provided those same services have first been approved by the Responsible Entity.

Conflicts and use of associates

The Investment Manager must establish protocols for the prevention and management of conflicts.

The Investment Manager may, in connection with the Investment Management Agreement, invest in, deal with or engage the services of the Investment Manager's associates engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business, on an arm's length commercial basis and approved by the Responsible Entity.

Indemnities

The Investment Manager indemnifies the Responsible Entity, the Group and their respective employees, officers, delegates, agents and contractors on demand against any direct expenses reasonably incurred by the aforementioned indemnified parties that arise from the gross negligence, fraud, wilful misconduct or dishonesty of the Investment Manager.

The Responsible Entity indemnifies the Investment Manager and its associates on demand against any direct expenses reasonably incurred by the Investment Manager in connection with the provision of the Services, except to the extent any expense is caused by the negligence, fraud, wilful misconduct or dishonesty of the Manager

9.3 Property Management Agreement

Property management services

The Responsible Entity has appointed the Property Manager to act as the property manager of the Group's properties under the Property Management Agreement.

The Property Manager has been delegated all powers necessary to carry out its obligations under the Property Management Agreement to manage each Group's properties, including each property in the Portfolio, by providing:

- property management services, which include day-to-day management, maintenance, strategic and operational decision making in connection with the properties, preparation of property business plans, budgets and reports, billing and collection of rental and other amounts and managing disbursements, conducting and processing rent reviews, management of leases and other property-related contracts and tenant and regulatory compliance, management of service, repair and maintenance works and tenant improvements, property marketing, leasing and tenant liaison and other services generally performed by a property manager whilst using commercially reasonable efforts to maximise revenues and minimise operating costs; and

- development management services, which include evaluation of the capital potential of properties, preparation of development proposals, management of building and works approvals, management capital expenditure, implementation and management of capital works, and other services generally performed by a development manager.

The Property Manager will provide the services subject to the supervision and control of the Responsible Entity and the terms of the agreement.

Exclusivity

During the term of the Property Management Agreement, the Responsible Entity must not appoint any other party to perform the services except where it is necessary to comply with applicable law or regulation or other applicable requirements or as otherwise permitted by the Property Manager if the Responsible Entity approves of the appointment.

The Property Manager may appoint other parties to assist with the delivery of all or part of the services under the agreement. In the event that delivery of all or part of the services under the agreement is outsourced, the REIT will not pay for this cost twice.

The Property Manager and its associates may from time to time perform services for itself and other parties the same as or similar to the services provided under the agreement.

Term and termination

The Property Management Agreement commences on Completion.

The initial term of the agreement is 10 years and is automatically extended for successive five year terms unless terminated by either the Property Manager or the Responsible Entity at least 12 months prior to the end of the initial term or any successive five year term. This means that the initial term of the agreement is at least 10 years unless otherwise terminated in one of the circumstances referred to below.

Where the Responsible Entity gives the required notice that it does not wish to extend the agreement at the end of a term, termination in this circumstance will give rise to the payment of a compensation amount to the Property Manager equal to two times the fees paid under the agreement in the 12 months up to expiry of the term.

The agreement will not automatically apply to a new property in which the REIT holds, directly or indirectly, less than a 50% interest. The agreement may also be terminated by the Property Manager or the Responsible Entity on the sale of an individual property or the securities in any entity which directly or indirectly owns a property. The agreement may also be terminated with respect to a property in circumstances where a property is destroyed, or a property is damaged so that the property is unfit or substantially unfit for the Property Manager to perform its obligations under the agreement.

Property Manager's termination rights

The Property Manager can terminate the Property Management Agreement:

- on 90 days' notice to the Responsible Entity, if there is a bona fide sale of all or substantially all of the Assets to a third party on an arm's length basis; or
- immediately if:
  - there is a material default of the agreement by the Responsible Entity which is not rectified (including by way of payment of reasonable compensation) within 30 days of written notice from the Property Manager;
  - the Responsible Entity commits five or more breaches of the Property Management Agreement within a consecutive 12 month period (provided that the Property Manager

has provided notice to the Responsible Entity of each individual breach within 30 days
of becoming aware of the relevant breach);

  - the Responsible Entity is insolvent (and is not replaced by another trustee within 30 days of becoming insolvent);
  - a Group entity is insolvent; or
  - without prior written approval of the Property Manager, there is a change in a person having, or a person gaining, control of the ability to remove the Responsible Entity, the Responsible Entity is replaced by a responsible entity that is not a member of the HomeCo Group or a winding-up of the REIT commences (provided that, in each case, notice of termination is provided within 90 days of the Property Manager becoming aware of the change of control).

Note that in the case of default or the insolvency of a Group entity, the Property Manager's termination right can be exercised in relation to the individual property in respect of which the default or insolvency has occurred or in respect of the whole agreement (at the election of the Property Manager).

Termination of the agreement by the Property Manager in these circumstances (other than where the Property Manager has terminated without cause by giving 90 days' notice) gives rise to the payment of a compensation amount to the Property Manager equal to two times the fees paid under the agreement in the 12 months up to termination.

Responsible Entity's termination rights

The Responsible Entity can terminate the Property Management Agreement:

- on 60 days' notice to the Property Manager, if there is a bona fide sale of all or substantially all of the assets of the Group to a third party on an arm's length basis; or
- immediately if a change in a person having, or a person gaining, control of the ability to remove the Responsible Entity, the Responsible Entity is replaced by a responsible entity that is not a member of the HomeCo Group or a winding-up of the REIT commences (provided that, in each case, notice of termination is provided within 90 days of the Responsible Entity becoming aware of the change of control),

and in these circumstances, a compensation amount equal to two times the fees paid under the agreement in the 12 months up to termination will be payable to the Property Manager; or

- immediately if:
  - there is a material default of the agreement by the Property Manager which is not rectified (including by way of payment of reasonable compensation) within 30 days of written notice from the Responsible Entity;
  - the Property Manager commits five or more breaches of the Property Management Agreement within a consecutive 12 month period (provided that the Responsible Entity has provided notice to the Property Manager of each individual breach within 30 days of becoming aware of the relevant breach); or
  - the Property Manager is insolvent and is not replaced by the HomeCo Group with another manager within 30 days of becoming insolvent.

Termination in respect of development management services

If the agreement is not renewed or terminated, the Property Manager will continue to perform and be paid for development management services in respect of any approved development works that are ongoing at the time of termination, until completion of those works (on the condition that the Property

Manager will be required to enter into an agreement with the Responsible Entity in respect of those development works with the same rights and obligations as the Property Manager Agreement (subject to any amendments reasonably required by the Responsible Entity)).

Fees

Unless the Property Manager has appointed other parties to assist with the delivery of all or part of its services, the Property Management fees payable to the Property Manager will be as follows:

- **Property Management Fee**: 3% of gross income for each property for each month;
- **New Tenant Lease Fee**: 15% of the Face Rent for the first year of a lease term where the tenant is new to the Property (excluding new leases entered into with existing tenants pursuant to renewals and options that relate solely to them continuing leasing their current tenancy in the Property);
- **Lease Renewal Fee**: 7.5% of the Face Rent for the first year of a new lease if an existing tenant enters into a new lease, including by way of exercise of an option to renew, to continue leasing their current tenancy in the Property;
- **Lease Administration and Design Fees**: charge on a cost recovery basis, unless payable by the tenant; and
- **Development Management Fee**:
  - 5% of the total development costs in relation to the first $2.5 million of relevant project costs; and
  - 3% for all costs thereafter

The Property Manager's fees will be benchmarked and independently reviewed against market fees at the five year anniversary from commencement of the Property Management Agreement in the initial term and on commencement of any successive term. If the Property Manager's fees are considered to be outside of market ranges, the parties will either agree to a revision to market based fees or refer the review of fees to expert determination (if they cannot agree).

Costs and expenses

The Property Manager is entitled to be reimbursed for all costs and expenses it reasonably and properly incurs as Property Manager other than expenses that arise as a result of the gross negligence, fraud, wilful misconduct or dishonesty of the Property Manager or any officer, employee, delegate, agent or contractor of the Property Manager. The Property Manager must seek the approval of the Responsible Entity where expenditure is not within budget and the expenditure would exceed any relevant specified thresholds.

The Property Manager is also entitled to recover staff salary, salary on-costs, travel and office operating expenses associated with on-site management, operations, marketing and administration of any property and any off-site accounting, management, IT and operational costs directly related to any property.

The Property Manager is also entitled to recover the costs of advisers and consultants (including town planners, urban designers, architects, surveyors, engineers, traffic consultants, quantity surveyors, economic impact assessment, legal advisers, etc.) to assist with the development services and activities, including evaluation of the development potential of properties, preparation of development proposals and approvals, and implementation and management of development works.

If the Property Manager delegates, appoints an agent or service provider, or otherwise engages a third party (including an associate) to provide a service to the Responsible Entity (or Group Member or Custodian) that would not customarily be provided by the Property Manager, the Responsible

Entity will be liable to pay for the expenses incurred as a result of that delegation or appointment, provided those same services have first been approved by the Responsible Entity.

Use of associates

The Property Manager may, in connection with the agreement, invest in, deal with or engage the services of the Property Manager's associates engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business, on an arm's length commercial basis and approved by the Responsible Entity.

Indemnities

The Property Manager indemnifies the Responsible Entity, the Group and their respective employees, officers, delegates, agents and contractors on demand against any expenses incurred by the Responsible Entity to the extent they arise out of:

- a breach of, or non-compliance with, the Property Management Agreement by, the Property Manager, employee or officer of the Property Manager (except any employees or officers who are acting in their capacities as employees or officers of the Responsible Entity or a Group Member) or any agent or delegate appointed by the Property Manager;
- the default, negligence, fraud, wilful misconduct or dishonesty of the Property Manager (except any employees or officers who are acting in their capacities as employees or officers of the Responsible Entity or a Group Member) or any agent or delegate appointed by the Property Manager; or
- insolvency of the project manager.

The indemnity provided by the Property Manager above does not apply to expenses caused by the Responsible Entity, Group Members, and their respective employees, officers, delegates, agents, and contractors due to:

- a breach of, or non-compliance with, the Property Management Agreement; or
- the negligence, fraud, wilful misconduct, or dishonesty of those same parties.

The Responsible Entity indemnifies the Property Manager and its associates against any direct expenses reasonably incurred by the Property Manager in connection with the provision of the services, except to the extent any expense is caused by the negligence, fraud, wilful misconduct or dishonesty of the Property Manager.

9.4 Sale Contracts - Properties in Queensland (other than Coomera City Centre), Western Australia and Victoria

Each Property in Queensland, Western Australia and Victoria (other than Coomera City Centre) will be acquired by HomeCo Daily Needs REIT under a separate sale contract.

Each contract will be conditional upon the Capital Reduction Resolution being passed at the Meeting (other than in relation to Hawthorn East, which is subject to the additional condition summarised in section 13.11 below). Subject to relevant conditions being fulfilled, each contract of sale will be completed on or around 19 November 2020, the business day after the Meeting at an acquisition price determined by the current independent market valuation of each property.

The vendor or vendors under each sale contract are members of the HomeCo Group and are current registered owners of the relevant Property. HomeCo Daily Needs REIT will take title to each Property under standard arms' length commercial terms subject to, and with the benefit of, any leases, agreements for lease or other occupancy rights granted to third parties. HomeCo Daily Needs REIT also indemnifies the vendor(s) of all actions, claims and liabilities relating to or arising from the ownership of the Property on and after completion of the contract. Any business name or domain name associated with the Property, as well as the HomeCo brand, will be transferred to, or licensed to, HomeCo Daily Needs REIT from Completion. Legal title in each Property will be transferred to the Custodian on Completion.

For Ellenbrook and Richlands properties, HomeCo Daily Needs REIT will acquire each property under a separate sale contract and, under the Property Management Agreement, the Property Manager will complete the development or re-development of the property

9.5 Sale Contracts - Properties in New South Wales (other than Glenmore Park Town Centre and Gregory Hills Town Centre)

Each Property in New South Wales (other than Glenmore Park Town Centre and Gregory Hills Town Centre) will be acquired by HomeCo Daily Needs REIT under a separate sale contract, whereby the units in the sub-trust which holds the relevant Property will be transferred to HomeCo Daily Needs REIT.

Each contract will be conditional upon the Capital Reduction Resolution being passed at the Annual General Meeting. Subject to condition being fulfilled, each contract of sale will be completed on or around 19 November 2020, the business day after the Annual General Meeting at an acquisition price determined by the current independent market valuation of each property.

The vendor or vendors under each sale contract are members of the HomeCo Group and are current owners of the units in relevant sub-trust which owns the relevant Property. HomeCo Daily Needs REIT will take title to the units in the sub-trust holding each Property under standard arms' length commercial terms subject to, and with the benefit of, any leases, agreements for lease or other occupancy rights granted to third parties. Any business name or domain name associated with the Property, as well as the HomeCo brand, will be transferred to, or licensed to, HomeCo Daily Needs REIT from Completion. Legal title in the units in each sub-trust will be transferred to the Custodian on Completion.

9.6 Acquisition Agreements (Glenmore Park Town Centre, Gregory Hills Town Centre and Coomera City Centre)

Glenmore Park Town Centre NSW

On 23 September 2020, Village Fair Glenmore Park Pty Limited as trustee of the Glenmore Park Unit Trust (as vendor) and HCL entered into a sale contract for the property for a total purchase price of $150,000,000 which is exempt from GST as it will be sold as a going concern. HCL has paid deposits totalling $7,500,000, with the balance of $142,500,000 (subject to normal settlement adjustments) to be paid on settlement which will take place on or before 30 November 2020. HCL has a right to extend the date for settlement to a date no later than 29 January 2021, by notice given no later than 23 November 2020.

The vendor provides a rent guarantee, capped at $1,500,000 based on a GST exclusive guarantee income of $10,467,903 for the 12 month period following Completion. The guarantee (paid monthly in arrears, with 12 month reconciliation) is based on actual income received and is also to be used towards incentives that the vendor and purchaser agree to be granted to secure new tenants during the 12 month period.

HCL will at least 7 days prior to Completion, direct that title to the property be transferred on settlement to one of the named entities in the contract, being the Custodian or HomeCo DNR (Glenmore Park) Pty Ltd as trustee of the HomeCo DNR (Glenmore Park) Property Trust.

Gregory Hills Town Centre, NSW

On 25 September 2020, The Trustees of the Marist Brothers (as vendor), GH Town Centre Pty Limited (as head lessee) and HCL entered into a sale contract for the property for a total purchase price of $68,940,000 which is exempt from GST as it will be sold as a going concern. HCL has paid deposits totalling $3,447,000, with the balance of $65,493,000 (subject to normal settlement adjustments) to be paid on settlement which will take place on or before 30 November 2020.

HCL will no later than 12.00pm on 23 November 2020, direct that title to the property be transferred on settlement to one of the named entities in the contract, being the Custodian or HomeCo DNR (Gregory Hills TC) Pty Ltd as trustee of the HomeCo DNR (Gregory Hills TC) Property Trust. Separately, HCL will direct that the head lease interest held by GH Town Centre Pty Limited be transferred to either of EQT Australia Pty Limited or HomeCo DNR (Gregory Hills TC) LeaseCo Pty Ltd.

Coomera City Centre, QLD

On 14 October 2020, Lewani Springs Resort Pty Ltd as trustee for The Lewani Springs Resort Trust and HCL entered into put and call option with an agreed form of sale contract for the property for a total purchase price of $57,000,000 which is exempt from GST as it will be sold as a going concern. HCL has paid an option fee of $10.00 and a security deposit totalling $1,000,000, which will be applied towards the $2,850,000 deposit payable under the contract on exercise of the call or put option.

On entry into the contract, the balance of $54,150,000 (subject to normal settlement adjustments) is to be paid on settlement which will take place 7 days after exercise of the call or put option (but no earlier than 15 November 2020).

HCL will nominate either the Custodian or HomeCo DNR (Upper Coomera CC) Pty Ltd as trustee of the HomeCo DNR (Upper Coomera CC) Property Trust to exercise the call option and enter into the contract to acquire the property. The call option period expires on 4 December 2020 and the put option period expires on 11 December 2020.

9.7 Summary of the Voluntary Escrow Deed

Approximately 129 million Units held by HomeCo at Completion will be subject to voluntary escrow arrangements and the exceptions and release dates outlined below (**Escrowed Units**).

HCL and HCDL have entered into a voluntary escrow deed in respect of their Escrowed Units, which prevents them from dealing in their Escrowed Units for the applicable escrow period. The restriction on “dealing” is broadly defined and includes, among other things, to dispose of, or agree or offer to dispose of, the Escrowed Units or any legal, beneficial or economic interest in the Escrowed Units or to create or agree or offer to create any security interest in the Units. HCL and HCDL will still be able to vote on resolutions of Unitholders and receive distributions.

Following Completion, Escrowed Units held by HCL and HCDL will be subject to escrow from Completion until 4.15pm on the first anniversary of Completion.

HCL and HCDL may be released early from these escrow obligations to enable:

- them to accept an offer under a bona fide takeover bid in respect of all or a proportion of the Units, provided that the holders of at least half of the Units that are not subject to any voluntary escrow deed, and to which the offers under the takeover bid relate, have accepted an offer under the takeover bid;
- the Escrowed Units held by HCL and HCDL to be transferred or cancelled as part of a scheme of arrangement relating to HomeCo Daily Needs REIT; or
- HCL and HCDL to participate in an equal access unit buyback, equal access capital return or equal access capital reduction (in each case made in accordance with the Corporations Act).

During the escrow period, HCL and HCDL may deal in any of their Escrowed Units to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction) provided that:

- in the case of a takeover, if the offer is conditional, HCL and HCDL agree in writing that the holding lock will be applied for each Escrowed Unit that is not bought by the bidder under the off market takeover bid; or
- in the case of a merger by scheme of arrangement, HCL and HCDL agree in writing that the holding lock will be applied if the merger does not take effect.

9.8 Financial Advisory Mandate Letter

HomeCo has entered into a financial advisory mandate letter with Goldman Sachs and Macquarie Capital (together, the **Financial Advisors**) relating to their appointment as financial advisor in respect of the Capital Distribution and the Proposal (**Mandate**).

Under the terms of the Mandate, HomeCo has agreed to pay each Financial Advisor a fee of $1.5 million, which is payable on implementation of the Proposal.

Subject to certain exclusions relating to, among other things, recklessness, fraud, wilful misconduct or gross negligence by the Financial Advisors (and certain affiliated parties), HomeCo indemnifies each Financial Advisor (and certain affiliated parties) against all losses suffered directly or indirectly, or claims made against the Financial Advisor (or certain affiliated parties), in connection with the Capital Distribution or other conduct in connection with their engagement described in the Mandate.

9.9 Impact of the Proposal on incentive scheme arrangements

HomeCo currently operates two incentive schemes for employees and non-executive Directors. These comprise the Employee Equity Plan (**EEP**) and the Non-Executive Director Equity Plan (**NEDEP**).

As at the date of this Explanatory Memorandum, a total of 899,983 rights to acquire Securities have been granted to participants under the EEP and NEDEP on the following terms:

Type of Rights	Number on issue	Vesting date
COVID-19 Rights[1]	225,356	30-Sep-22
Performance Rights - Employee Grant[2]	300,000	14-Oct-22
Performance Rights - LTIP[3]	374,627	27-Aug-22

Notes

1. 1. On 25 August 2020, Home Consortium granted 225,356 share rights as compensation for the reduction in cash remuneration for Directors and other key management personnel during the financial year ended 30 June 2020 due to the COVID-19 pandemic.
2. 2. IPO Employee Grant.
3. 3. FY20 LTIP.

Each right confers on the holder the right to acquire one Security upon the satisfaction of the relevant vesting conditions and exercise of the right.

In order to preserve the overall value of the rights following the Capital Distribution, and to ensure that participants are not disadvantaged by the Capital Distribution, the Board has decided that, subject to the Proposal becoming effective, it will grant participants additional rights. The number of rights will be calculated using the methodology approved by the Board, which is based on the average market price of Securities prior to the Capital Distribution and the relative value of the Securities and Units following the Capital Distribution.

The grant of additional rights to each participant will be made shortly after implementation of the Proposal on substantially the same terms as the participant's existing rights as set out above. The Proposal will not impact the terms under which the participant's existing rights are held under the EEP or NEDEP. The existing rights will remain on foot until they vest, following which they will convert to Securities.

9.10 Transaction costs

The total expenses of the Proposal payable by HomeCo and HomeCo Daily Needs REIT are estimated at approximately $44.7 million of which approximately $21.4 million relates to stamp duty and transfer duty. It also includes equity capital raising costs, advisory, legal, accounting, listing and other administrative fees, as well as printing, advertising and other expenses. If the Proposal is implemented, HomeCo Daily Needs REIT will be responsible for payment of all of the transaction costs related to the Proposal. If the Proposal does not proceed, HomeCo will be responsible for $5.2 million of transaction costs.

9.11 Overseas Securityholders

The Capital Distribution to overseas Securityholders will be subject to legal and regulatory requirements in their relevant overseas jurisdictions. If the requirements of any jurisdiction where a Securityholder is resident are held to restrict or prohibit the distribution of Units as proposed or would impose on HomeCo an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on HomeCo an undue burden, the Units that would otherwise be transferred to the relevant Securityholder will be issued to a sale agent, who will sell those Units and the proceeds (net of costs and any withholding tax) will be remitted to such Securityholder.

As the Capital Distribution is being carried out by way of an in specie distribution and security prices may vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Securityholders may be more or less than the notional dollar value of the reduction of capital. It will be the responsibility of each Securityholder to comply with the laws to which they are subject in the jurisdiction in which they are resident.

9.12 Tax file numbers and Australian Business Numbers

Under the Australian tax law, certain companies and trusts are entitled to ask their securityholders who have a tax file number (**TFN**) or where relevant, Australian Business Numbers (**ABN**), to disclose it to the company or trust. Generally, TFNs are only held by securityholders who are either Australian residents or non-residents who file an Australian tax return, and ABNs are held by entities who are carrying out an enterprise in Australia. A Securityholder can choose to disclose or not to disclose their TFN or ABN.

If a Securityholder chooses not to disclose their TFN or ABN to the company or trust, the company or trust is generally required by the tax law to withhold tax, at the top marginal tax rate plus Medicare levy (being 47% as at the date of this Explanatory Memorandum), on any dividends or distributions paid to a resident Securityholder. If the tax withheld by the company or trust is more than the Securityholder would have paid in tax, the Securityholder must wait until they lodge an income tax return before being entitled to a refund of any excess tax withheld from the payment. On the other hand, if a Securityholder chooses to disclose their TFN or ABN, the company or trust does not have to withhold any tax from any dividends or distributions paid to the resident Securityholder.

HomeCo (or the share registry of HomeCo) proposes to transfer the TFNs or ABNs provided to HomeCo by Securityholders to HomeCo Daily Needs REIT (or HomeCo Daily Needs REIT registry) on behalf of Securityholders in respect of their tax affairs so that HomeCo Daily Needs REIT will not be required to withhold tax from any distributions to Australian resident securityholders.

However, a Securityholder may request that HomeCo (or the Registry) not transfer that Securityholder's TFN or ABN to HomeCo Daily Needs REIT (or HomeCo Daily Needs REIT registry). If a Securityholder does not advise that they do not wish their TFN or ABN to be disclosed and collected in accordance with the process discussed above, they are deemed under the terms of the Proposal to agree to such disclosure and collection of their TFN or ABN. Any Securityholder wishing to request that their TFN or ABN not be forwarded to HomeCo Daily Needs REIT should contact the HomeCo Securityholder Information Line on +61 1800 754 866 (toll free within Australia) between 8.30am to 5.30pm (Sydney time) Monday to Friday (excluding public holidays).

9.13 ASX waivers / confirmations

ASX has confirmed its willingness to grant the following waivers and confirmations of the Listing Rules in connection with the Proposal:

- a waiver from Listing Rule 7.1 to the extent necessary to permit the issue of Securities in connection with carrying out the Capital Distribution and Offer without security holder approval on the condition that the Capital Distribution is approved by the Securityholders;
- confirmation from ASX that the Capital Distribution complies with Listing Rule 7.17;
- confirmation under Listing Rule 7.40 that the proposed timetable is acceptable to ASX;
- a waiver from Listing Rule 10.11 to permit the issue of the Securities under the Capital Distribution and the Offer, as well as a one-off grant of rights over Securities, to directors of the RE and other related parties without the approval of securityholders of Home Consortium on the condition that the Capital Distribution is approved by Securityholders and that the related parties participate in the Capital Distribution and/or offer of Securities in HomeCo Daily Needs REIT on the same basis as other Securityholders; and
- confirmation that the proposed Capital Distribution, Distribution and Offer does not require the approval from Securityholders for the purposes of Listing Rule 11.1 on the basis that the Capital Distribution is conditional up on the approval of Securityholders.

9.14 Interests of HomeCo Directors

The number of Securities held directly, indirectly or beneficially by Directors or their related entities as at the date of this Explanatory Memorandum and the number of Units this will equate to under the Capital Distribution are set out below:

Director	HomeCo Stapled Shares	Implied Units
David Di Pilla	37,310,930	37,310,930
Christopher Saxon	175,776	175,776
Zac Fried	24,536,064	24,536,064
Greg Hayes	10,190,683	10,190,683
Jane McAloon	165,175	165,175
Brendon Gale	231,871	231,871
Kelly O'Dwyer[1]	0	0

Note: Subject to Resolution 2 being passed by the requisite majority of Securityholders.

Other than as disclosed in this Explanatory Memorandum, the Directors will not receive any payment or other benefit in connection with the Proposal.

9.15 Other legal requirements

Under ASIC Regulatory Guide 188, an invitation to Securityholders to vote on the Capital Distribution Resolution for the in specie distribution of Units to Securityholders constitutes an "offer" of securities under Part 7.9 of the Corporations Act and a product disclosure statement is required unless an exemption applies. As no exemption applies, HomeCo has, together with HomeCo Daily Needs REIT, prepared the PDS that contains information in relation to HomeCo Daily Needs REIT and the Offer. The issuer of the PDS with respect to the offer of securities under the Capital Distribution is HomeCo. The Responsible Entity, as responsible entity of HomeCo Daily Needs REIT is the issuer of the PDS with respect to the Offer.

9.16 Securities restrictions

This Explanatory Memorandum does not constitute an offer to any person in the United States, any US person (as such term is defined in Regulation S under the U.S. Securities Act of 1933) (**U.S. Person**), or any person acting for the account or benefit of a U.S. Person. Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons unless they are registered under the Securities Act or exempt from registration.

10. GLOSSARY

ABN	Australian Business Number.
Acquisition Agreements	The acquisition agreements related to the Acquisitions as detailed in Section 9.6.
Acquisitions	The acquisition of properties in Glenmore Park Town Centre, Gregory Hills Town Centre and Coomera City Centre under the Acquisition Agreements.
Adjusted NTA	Net tangible assets adjusted to exclude the lease mitigation account, leasehold investment properties, leasehold liabilities, and deferred tax assets.
AFSL	Australian Financial Services Licence.
Allotment	The allotment of Units following acceptance of an Application.
Applicant	A person who submits an Application.
ASX	means ASX Limited (ACN 008 624 691) or the securities market which it operates, as the case may be.
ATO	Australia Taxation Office.
Audit and Risk Committee	The committee established by the Board to assist it in carrying out its accounting, auditing and financial reporting responsibilities, as set out in Section 5.7.4 of the PDS.
Australian Accounting Standards or AAS	Australian Accounting Standards and other authoritative pronouncements issued by the AASB.
Board or Board of Directors	The board of Directors of HomeCo.
Business Day	A day on which ASX is open for trading in securities and banks are open for general business in Sydney, NSW.
Capital Distribution	The distribution of Units in specie to holders of Securities on the Capital Distribution Record Date by HomeCo as described in this Explanatory Memorandum.
Capital Distribution Date	The date that Units are distributed to eligible HomeCo Securityholders under the Capital Distribution, being 26 November 2020.
Capital Distribution Record Date	The date for determining entitlement to Units by Securityholders under the Capital Distribution, being 7.00pm (Sydney time) on 24 November 2020.
Capital Distribution Resolution	The ordinary resolution to approve the Capital Distribution under section 256C(1) of the Corporations Act, to be considered by Securityholders at the Meeting, the form of which is set out in the Notice.

Capitalisation rate or cap rate	The return of a property or portfolio of properties calculated by dividing the market level of net property income of that property or portfolio by the assessed independent valuation of that property or portfolio.
Completion	Completion of the Proposal, being the transfer of Units under the Capital Distribution, and the allotment and issue of Units by the Responsible Entity, having occurred.
Completion Date	The date on which Completion is expected to occur, being 26 November 2020.
Constitution	The constitution of the REIT.
Corporations Act	The *Corporations Act 2001* (Cth).
CPI	The consumer price index, an index used to measure changes in the price level of market basket of consumer goods and services purchased by households.
Debt Facility	The borrowing of money by, and other financial accommodation provided to, HomeCo Daily Needs REIT.
Director	A director of HomeCo.
Distribution Yield	The rate of return derived by dividing the Distribution per Unit by the Offer Price.
Dollar, $ or A$	Australian dollars, the lawful currency of the Commonwealth of Australia.
EEP	Employee Equity Plan.
Escrowed Units	The 128,613,273 Units the subject of voluntary escrow pursuant to the Voluntary Escrow Deed.
Explanatory Memorandum	This explanatory memorandum which forms part of the Notice.
Face Rent	The yearly amount of the gross base face rent, percentage or turnover rent, contributions towards or reimbursement of recoverable operating expenses and any other amounts payable under a lease by a tenant, excluding any incentives and GST.
FFO	Funds from operations.
Financial Information	The financial information described as Financial Information in Section 5.
Forecast financial Information	The forecast financial information described as Forecast Financial Information in Section 5.
GLA	Gross lettable area.
Goldman Sachs	Goldman Sachs Australia Pty Ltd (ACN 006 797 897).

GST	Goods and Services Tax
HCDL	Home Consortium Developments Limited (ACN 635 859 700).
HCL	Home Consortium Limited (ACN 138 990 593).
HCL Share	A fully paid ordinary share in HCL.
Health & Services	Properties devoted predominately to healthcare and wellness & lifestyle services tenants.
HIN	Holder Identification Number.
HomeCo	The stapled entity Home Consortium, consisting of Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Limited (ACN 635 859 700).
HomeCo Daily Needs REIT or **REIT**	HomeCo Daily Needs REIT (ARSN 645 086 620).
HomeCo Group or **the Group**	means HomeCo and its controlled entities.
HomeCo Security	A stapled share in HomeCo, comprising one ordinary share in HCL and one ordinary share in HCDL.
HomeCo Securityholder	A holder of a HomeCo Security.
Implementation Date	The date on which the Distribution will occur, expected to be 26 November 2020.
Implementation Deed	The implementation deed between Home Consortium and the Responsible Entity, as described in Section 9.1.
Institutional Offer	The invitation to institutional investors under the PDS to acquire Units.
Investment Management Agreement	The Investment Management Agreement between the Responsible Entity and the Investment Manager in respect of HomeCo Daily Needs REIT, as described in Section 9.2.
Investment Manager	HomeCo DNR Investment Management Pty Ltd (ACN 644 510 583).
Large Format Retail or LFR	Comprises multi-tenanted centres which includes (but is not limited to) homewares & electrical, hardware, furniture, bedding and other bulky goods tenants.
Listing Rules	The listing rules of ASX.
Macquarie Capital	Macquarie Capital (Australia) Limited (ACN 123 199 548).
Management Agreements	Comprises the Investment Management Agreement and the Property Management Agreement.
Managers	The Investment Manager and the Property Manager.

Meeting	The Annual General Meetings of shareholders of Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Limited (ACN 635 859 700) to be held in conjunction with each other on 18 November 2020 at 10.30am (Sydney time).
Model Portfolio	Has the meaning as described in Section 6.4.
MoU	Memorandum of understanding.
NEDEP	Non-Executive Director Equity Plan.
Neighbourhood Retail	Retail centres with a supermarket anchor and other retail convenience stores that service daily needs.
Notice	The notice of meeting for the Annual General Meeting which accompanies this Explanatory Memorandum.
NSW	New South Wales.
NTA	Net tangible assets.
Offer	The offer of Units under the PDS to raise up to $300 million.
Offer Price	$1.33 per Unit.
PDS	The product disclosure statement prepared and issued by the Responsible Entity as responsible entity of HomeCo Daily Needs REIT (in relation to the Offer) and HomeCo (in relation to the Capital Distribution) under Part 7.9 of the Corporations Act dated 16 October 2020.
Portfolio	The Operating Portfolio and Development Portfolio.
Pro Forma Historical Financial Statement of Financial Position	Has the meaning given in Section 5.1.
Pro Forma Historical Financial Statement of Financial Position	Has the meaning given in Section 5.1.
Property	An individual centre to be included in the portfolio of HomeCo Daily Needs REIT.
Property Management Agreement	The Property Management Agreement between the Responsible Entity and the Manager in respect of HomeCo Daily Needs REIT, as described in Section 9.3.
Property Manager	HomeCo DNR Property Management Pty Ltd (ACN 644 510 707).
Proposal	The proposal to establish HomeCo Daily Needs REIT as a separately listed entity, by way of the implementation of the Capital Distribution, Offer and various other key steps described in this Explanatory Memorandum and the PDS.

QLD	Queensland.
Registry	Link Market Services Limited (ACN 083 214 537).
Regulation S	Regulation S promulgated under the US Securities Act.
Responsible Entity	HMC Funds Management Limited (ACN 105 078 635) (AFSL 237257) as responsible entity of HomeCo Daily Needs REIT.
SA	South Australia.
Sale Contracts	The land sale contracts and unit transfer agreements relating to the transfer of Properties from HomeCo to HomeCo Daily Needs REIT, as described in Sections 9.4 and 9.5.
Section	A section of this EM.
Security	A fully paid ordinary stapled security in the Company.
Securityholder	A holder of Securities.
sqm	Square metres.
SRN	Securityholder Reference Number.
Sydney Time	The official time in Sydney, Australia.
Tax Act	The Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997, as applicable.
TFN	Tax File Number.
Unit	A fully paid ordinary unit in HomeCo Daily Needs REIT.
Unitholder	A holder of Units.
VIC	Victoria.
Voluntary Escrow Deed	The voluntary escrow deed between the Responsible Entity, HCL and HCDL as described in Section 9.7.
WA	Western Australia.
WACR	Weighted average capitalisation rate.
WALE	Weighted average lease expiry.
Woolworths	Woolworths Group Limited (ACN 000 014 675).

CORPORATE DIRECTORY

Home Consortium Limited
ACN 138 990 593
19 Bay Street
Double Bay NSW 2028

Home Consortium Developments Limited
ACN 635 859 700
19 Bay Street
Double Bay NSW 2028

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Tower One, International Towers Sydney
Level 46, 100 Barangaroo Avenue
Barangaroo NSW 2000

Taxation Advisor
Greenwoods & Herbert Smith Freehills Pty Limited
Level 34, ANZ Tower
161 Castlereagh Street
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PwC
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