Home Co. Daily Needs REIT

Managed by
HMC Funds Management Limited
(ACN 105 078 635; AFSL 237257)
as responsible entity of the
HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

5 July 2021

ACQUISITION AND PLACEMENT PRESENTATION

HomeCo Daily Needs REIT (ASX: HDN) provides the attached Acquisition and Placement Presentation.

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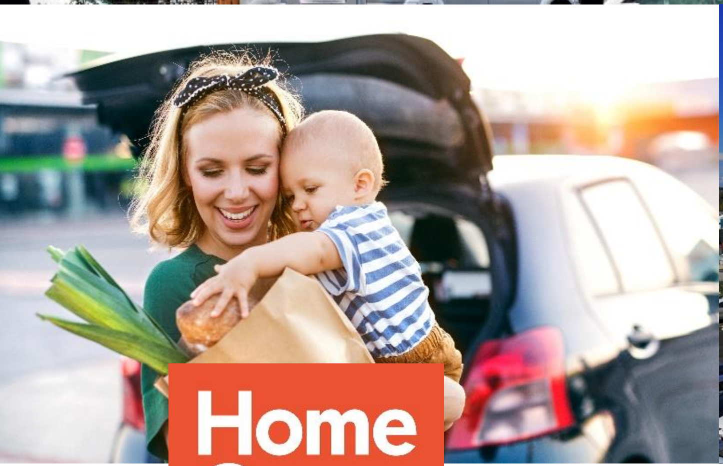
About HomeCo Daily Needs REIT

HomeCo Daily Needs REIT is an Australian Real Estate Investment Trust listed on the ASX with a mandate to invest in convenience-based assets across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. HomeCo Daily Needs REIT aims to provide unitholders with consistent and growing distributions.



Home Co.
Daily Needs
REIT

Acquisition and placement presentation

5 July 2021

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This presentation (**Presentation**) has been prepared by HMC Funds Management Limited (ACN 105 078 635, AFSL 237257) (**HFML**) as responsible entity of HomeCo Daily Needs REIT (ARSN 645 086 620) (**HDN**) in connection with an institutional placement of new fully paid ordinary units in HDN (**New Units**) (**Placement**) for the purpose of funding the acquisition of a property in Victoria Point (QLD) as set out in further detail in this Presentation (**Acquisition**). The Placement is fully underwritten by Macquarie Capital (Australia) Limited (the **Lead Manager**).

Summary information

This Presentation contains summary information about the current activities of HDN and its subsidiaries (the **HDN Group**) as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete. This Presentation does not purport to contain all the information that an investor should consider when making an investment decision nor does it contain all the information which would be required in a product disclosure statement or disclosure document prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**). This Presentation is subject to change without notice and HFML may in its absolute discretion, but without being under any obligation to do so, update or supplement the information in this Presentation. Certain market and industry data used in connection with this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither HFML nor its representatives have independently verified any such market or industry data provided by third parties or industry or general publications. The information in this presentation should be read in conjunction with HDN's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au. To the maximum extent permitted by law, the HDN Group, the Lead Manager and their respective affiliates, related bodies corporates, officers, employees, partners, agents and advisers make no representation or warranty (express or implied) as to the currency, accuracy, reliability, reasonableness or completeness of the information in this Presentation and disclaim all responsibility and liability for the information (including without limitation, liability for negligence).

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The Placement will be conducted under section 1012DA of the Corporations Act (subject to receipt of necessary ASIC Relief) and will be made to investors who are wholesale clients or sophisticated investors (within the meaning of sections 761G and 761GA of the Corporations Act). Determination of eligibility of investors for the purposes of the Placement is determined by reference to a number of matters, including legal requirements and the discretion of HFML as responsible entity of HDN and the Lead Manager.To the maximum extent permitted by law, HFML, HDN and the Lead Manager each disclaim any liability in respect of the exercise of that discretion or otherwise.

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This Presentation does not constitute financial product or investment advice (nor tax, accounting or legal advice) nor is it a recommendation to subscribe for or acquire New Units and does not and will not form any part of any contract for the subscription or acquisition of New Units. This Presentation has been prepared without taking into account the specific objectives, financial situation or needs of individual investors. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction and circumstances. Cooling off rights do not apply to the acquisition of New Units.

Financial data

All references to dollar values, cents, $, AUD, or A$ in this Presentation are to Australian dollars, unless otherwise stated.

Past Performance

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

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This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" "outlook", "guidance", "continue" and other similar expressions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of HDN, the outcome and effects of the Placement, and the use of proceeds from the Placement. The forward looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of HFML and HDN, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Neither HFML, HDN, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur.

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There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in this Presentation. Refer to the risks section of this Presentation for a summary of certain general and HDN specific risk factors that may affect HDN. Investors should consider the forward looking statements contained in this Presentation in light of those disclosures and not place reliance on such statements. The forward looking statements are based on information available to HFML as at the date of this Presentation. To the maximum extent permitted by law, HFML and its directors, officers, partners, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

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Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

Investment risk

An investment in HDN's units is subject to investment and other known and unknown risks, some of which are beyond the control of HFML and HDN, including possible loss of income and principal invested. HDN does not guarantee any particular rate of return or the performance of HDN, nor does it guarantee the repayment of capital from HDN or any particular tax treatment. In considering an investment in HDN's units, investors should have regard to (amongst other things) the risks outlined in this Presentation.

Disclaimer

The Lead Manager has acted as underwriter, lead manager and sole bookrunner to the Placement. The Lead Manager has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Presentation and there is no statement in this Presentation which is based on any statement made by them or by their affiliates, directors, partners, officers, employees and advisers (together the **Limited Parties**). To the maximum extent permitted by law, each of the Limited Parties expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Presentation other than references to their name and make no representation or warranty as to the currency, accuracy, reliability, reasonableness or completeness of this Presentation. This includes for any indirect, incidental, consequential, special or economic loss or damage (including, without limitation, any loss or profit or anticipated profit, fines or penalties, loss of business or anticipated savings, loss of use, business interruption or loss of goodwill, bargain or opportunities). The Limited Parties make no recommendations as to whether any potential investor should participate in the offer of New Units and make no warranties concerning the Placement.

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The Lead Manager and its affiliates are full service financial institutions engaged in various activities, which may include trading, financing, corporate advisory, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Lead Manager and its affiliates have provided, and may in the future provide, financial advisory, financing services and other services to HFML, HDN and to persons and entities with relationships with HFML and HDN, for which they received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Lead Manager and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of HFML or HDN, and/or persons and entities with relationships with HFML or HDN. The Lead Manager and its affiliates may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. One or more entities within the Lead Manager's groups act as a lender or counterparty to HFML, HDN or their affiliates and may now or in the future provide financial accommodation or services to HFML, HDN or their affiliates.

In connection with the Placement, one or more investors may elect to acquire an economic interest in the New Units (**Economic Interest**), instead of subscribing for or acquiring the legal or beneficial interest in those units. The Lead Manager or its affiliates may, for their own respective accounts, write derivative transactions with those investors relating to the New Units to provide the Economic Interest, or otherwise acquire units in HDN in connection with the writing of those derivative transactions in the Placement and/or the secondary market. As a result of those transactions, the Lead Manager or its affiliates may be allocated, subscribe for or acquire New Units or units of HDN in the Placement and/or the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in those securities. These transactions may, together with other units in HDN acquired by the Lead Manager or its affiliates in connection with its ordinary course sales and trading, principal investing and other activities, result in the Lead Manager or its affiliates disclosing a substantial holding and earning fee.

The Lead Manager and/or their respective affiliates may also receive and retain other fees, profits and financial benefits in each of the above capacities and in connection with the above activities, including in their capacity as a lead manager to the Placement.

Transaction overview

Acquisition	▪ HMC Funds Management Limited, as responsible entity of HomeCo Daily Needs REIT ("HDN"), has entered into an agreement which will allow it to acquire a 100% interest in Town Centre Victoria Point, QLD for a total purchase price of $160.0 million representing a fully leased yield of 4.75% ▪ Highly complementary to HDN's target model portfolio with exposure across Neighbourhood, Large Format Retail and Health & Services tenants ▪ Town Centre Victoria Point represents a large-scale asset with low site coverage of 27% and significant development upside through pad site development and expansion of existing tenancies ▪ The acquisition is consistent with HDN's strategy to acquire stabilised, predominately metro-located and convenience based assets targeting consistent and growing distributions
Placement size and pricing	▪ HDN is undertaking a $70 million fully underwritten placement at an issue price of $1.45 ("Issue Price") per unit ("New Unit") to fund the acquisition and associated transaction costs ("Placement"). The Issue Price represents a: – 3.0% discount to the last close price of $1.495 on 2 July 2021
Financial impact	▪ The Acquisition is immediately accretive to HDN's previous FY22 FFO/unit guidance of 8.3cpu (re-affirmed on 31 May 2021)[1] ▪ Balance sheet gearing is expected to be at the mid-point of HDN's target gearing range of 30–40% post-transaction
Distribution and ranking	▪ The New Units will be entitled to the distribution for the quarter ending 30 September 2021 and will rank equally in all respects with HDN's existing ordinary units from the date of allotment ▪ New Units will be included in the calculation of any Bonus Units issued at Bonus Unit Determination Date

1. Outlook statements have been made assuming no unforeseen circumstances and COVID-19 impacts

Strategic rationale for transaction

1 Flagship convenience asset	✓ High quality asset underpinned by leases to major national tenants including Woolworths, Bunnings and Healius – Increases national tenants mix from 79% to 80%[1] – Woolworths/Endeavour[2] and Bunnings to represent 12% and 4% of portfolio post-transaction[1] ✓ Low site coverage ratio of 27% presents significant opportunity for further development ✓ Long WALE of 7.1 years[3] with 82% contracted escalations and a fixed WARR of 3.44%[4]
2 Strong alignment to model portfolio	✓ Strong alignment to model portfolio with: – 60% Neighbourhood – 22% LFR – 18% Health & Services ✓ No department stores or discount department stores and no exposure to discretionary specialty retailers
3 FY22 FFO accretion	✓ Immediately accretive to previous FY22 FFO/unit guidance of 8.3cpu (re-affirmed on 31 May 2021)[5] ✓ Significant opportunity to unlock additional value and income through value enhancing development – Mixed use zoning provides potential for higher density development in the future
4 Gearing maintained within target range	✓ Balance sheet gearing is expected to be at the mid-point of HDN's target gearing range of 30–40% post-transaction
5 Increased market capitalisation and free float	✓ Transaction will increase market free-float and diversity of register ✓ Increased potential for inclusion in both the S&P/ASX 300 Index and FTSE EPRA NAREIT's Global Real Estate Index (next rebalance due in September 2021)

Notes: 1. By gross income. Includes signed leases and signed MOUs. 2. Includes Woolworths Group (excl. Endeavour) at 9.5% and Endeavour Group at 2.1%. 3. As at 30-Jun-21. 4. Contracted escalations includes Fixed and CPI escalations, with remaining 18% relating to supermarket tenants. Fixed WARR of 3.44% relates to the 66% of tenants on fixed rental escalations. 5. Outlook statements have been made assuming no unforeseen circumstances and COVID-19 impacts

Acquisition of Town Centre Victoria Point (QLD)

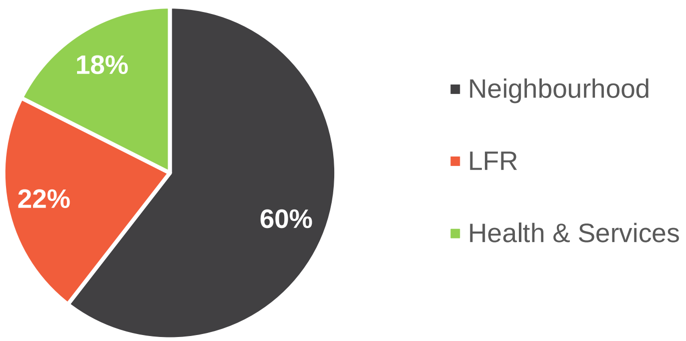
Town Centre anchored by Bunnings, Woolworths and Healius

Summary

Description	▪ Town Centre Victoria Point is located 30km south-east of the Brisbane CBD. The centre is conveniently located and is accessible from two major arterial roads which service the wider Redland Bay area and provide access to the Brisbane CBD ▪ The centre services a main trade area population of 79,970, which is forecast to grow by 1.7% per annum over the next decade (above the QLD average)
Purchase price	▪ $160.0 million representing a 4.75% fully leased yield – 12 month rental guarantee from settlement[1] ▪ Expected completion in August 2021
Land area	▪ 76,080 sqm
Occupancy	▪ 98%
GLA	▪ 20,892 sqm (~27% coverage ratio)
WALE	▪ 7.1 years[2]
Car spaces	▪ 866 on-grade spaces

Town Centre Victoria Point, QLD

Tenant mix[3]



Key tenants

Source: LocationIQ Town Centre Victoria Point demographic report

Notes: 1. For currently vacant tenancies. Estimated to be up to $230k. 2. As at 30-Jun-21 across signed leases and MOUs. 3. By gross income for signed leases and MOUs

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Town Centre Victoria Point

Attractive asset underpinned by major Neighbourhood, LFR and Health & Services tenants. National tenants represent 88% of gross income

Sources and uses

Sources of funds	$m
Placement	70
Debt[1]	102
Total	**172**

Uses of funds	$m
Acquisition	160
Stamp duty	9
Transaction costs[2]	3
Total	**172**

Notes: 1. HDN is in the process of increasing its existing senior debt facilities and has received credit approved commitments from existing HDN lenders that materially exceed the debt funding requirements. It expects to complete this process by 31 July 2021. 2. Includes equity raise fees, HMC acquisition fee and other advisor costs

Town Centre Victoria Point, QLD (Bunnings)

Town Centre Victoria Point, QLD (Woolworths)

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Town Centre Victoria Point—Additional photos

Timetable

Event	2021
Announcement of the Placement	Monday 5 July
Placement bookbuild	Monday 5 July
Settlement of New Securities issued under the Placement	Thursday 8 July
Allotment and normal trading of New Securities issued under the Placement	Friday 9 July

The above timetable is indicative only and subject to change. The commencement and quotation of New Securities is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules. HDN reserves the right to amend this timetable at any time, either generally or in particular cases, without notice

Town Centre Victoria Point, QLD

Appendix A: Risks

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Key risks

This section discusses some of the key risks associated with an investment in HDN. A number of risks and uncertainties may adversely affect the operating and financial performance or position of HDN and in turn affect the value of HDN's units. These include specific risks associated with an investment in HDN and general risks associated with any investment in listed securities. The risks and uncertainties described below are not an exhaustive list of the risks facing HDN. Potential investors should carefully consider these risks, as well as those risks contained in section 7 of HDN's product disclosure statement dated 16 October 2020 (available at www.asx.com.au) and those common in the industry, in deciding whether an investment in HDN is suitable having regard to their own personal investment objectives and financial circumstances and those risks.

Acquisition may not complete

The right to acquire 100% of the interests in Town Centre Victoria Point, QLD (Target) for a total purchase price of $160.0 million sits with Home Consortium Developments Limited (a major unitholder of HDN) (HomeCo) under an option agreement with the owner of the Target. HomeCo is contractually bound to nominate HDN (or a wholly owned member of its group, or a custodian acting on their behalf) to exercise the option to acquire the Target. Completion of the Acquisition is conditional on certain matters taking place. This includes HomeCo making the nomination above and also that consents from HDN's lenders are obtained prior to completion of acquisition of the Target. If any of the conditions precedent are not satisfied or waived, or take longer than anticipated to satisfy, completion of an Acquisition may be deferred or delayed, or may not occur on the current terms or at all. There can be no guarantee that HFML will obtain all necessary approvals to complete the Acquisition within any particular timeframe, or at all, or that such approvals will be granted on terms that are acceptable to HFML or on an unconditional basis. If the Acquisition is not completed as a result of a failure to satisfy conditions (or otherwise), HFML will need to consider alternative uses for the proceeds of the Placement, or ways to return such proceeds to HDN Unitholders. If completion of the Acquisition is delayed, HFML may incur additional costs and it may take longer than anticipated for HDN to realise the benefits of the Acquisition. Any failure to complete, or delay in completing, the Acquisition and/or any action required to be taken to return capital raised to HDN Unitholders

Acquisition information has been provided by the vendor

HFML undertook a due diligence process in respect of the Acquisition, which relied in part on the review of financial and other information concerning the properties the subject of the Acquisition, which was provided to HFML by the vendor. Despite making reasonable efforts, HFML has not been able to verify the accuracy, reliability or completeness of all of the information which as provided to it against independent data. Similarly, HFML has prepared (and made assumptions in the preparation of) the financial information related to the assets included in this Presentation from financial and other information provided by the vendor. If any of the data or information provided to and relied upon by HFML in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the performance of the properties may be materially different to the performance expected by HFML and reflected in this Presentation.

Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of an Acquisition have been identified and avoided or managed appropriately. Therefore there is a risk that unforeseen issues and risks may arise, which may also have a material impact on HDN. This could adversely affect the operations, financial performance or position of HDN.

Analysis of the Acquisition by HFML

HFML has undertaken financial, business and other analyses of the properties the subject of the Acquisition in order to determine their attractiveness to HDN and whether to pursue the Acquisition. It is possible that such analysis, and the best estimate assumptions made by HFML result in drawing conclusions and forecasts that are inaccurate or which will not be realised in due course. There is also a risk that acquired properties do not perform as expected due to a variety of factors including but not limited to tenants vacating the properties or tenant default. To the extent that the actual results achieved by the properties are different than those indicated by HFML's analysis, there is a risk that the profitability and future earnings of the operations of those properties and HDN in general may be materially different from the profitability and earnings reflected in this Presentation.

Impact of COVID-19

The COVID-19 pandemic has had a significant impact on the global and Australian economy and the ability of businesses, individuals and governments to operate. Emergency powers and restrictions have been enacted on an international, Federal and State level in Australia which, amongst other things, have restricted travel and the ability of individuals to leave their homes, travel to places of work and has disrupted the ordinary patterns of consumption of goods and services.

Some tenants at properties within HDN's portfolio have experienced an adverse impact on sales and supply chains, borne out of ongoing international and domestic travel restrictions, government lockdown measures, and broader global uncertainty around a recovery of business activity.

Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not currently possible to assess the full impact of COVID-19 on HDN. Whilst HDN has performed well during the pandemic, and no material rental abatements are currently in place in relation to COVID-19, there is a prospect that store closures on a significant scale may once again occur if the COVID-19 outbreak cannot be adequately contained, which could limit all or a material amount of trading at properties within the portfolio. Further, a number of aspects of HDN's tenants may be directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including disruption to supply chain and workforce, particularly the availability of products and logistics (including shipping of products) and government-imposed shut downs of manufacturing and distribution centres affecting the supply of products to customers. There is a risk that if the duration of events surrounding COVID-19 are protracted or the situation worsens from that currently existing, HDN may need to take additional measures in order to respond appropriately.

Key risks

In particular, HDN owns convenience centres in New South Wales, Victoria, Queensland, South Australia and Western Australia, all of which have been subject to lock-down restrictions imposed by their respective governments. Some tenants' operations may have been impacted by these lock-down restrictions, resulting in a deterioration of financial performance which may, in the future, impact upon the ability of HDN to collect rent in the ordinary course. No guarantee can be provided in relation to the length of any future lock-downs or when operating conditions will return to normal after lock-downs are lifted. As such, the ongoing performance of tenants within those centres remains uncertain.

There are also other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that are beyond the control of HDN and may be exacerbated in an economic recession or downturn. These include but are not limited to: (i) changes in inflation, interest rates and foreign currency exchange rates; (ii) changes in employment levels and labour costs; (iii) changes in aggregate investment and economic output; and (iv) other changes in economic conditions which may affect the income and expenses of HDN.

Rental income may decline

HDN's primary source of income is generated through its leasing arrangement of its properties in its portfolio. HDN's revenue is largely dependent on the rents received from tenants across its portfolio, expenses incurred during operations and capital expenditure incurred. A number of factors may affect HDN's rental income and expenditure, including overall economic conditions (including CPI growth), local real estate conditions, the financial condition and solvency of tenants, ability to attract new tenants, ability to extend leases or replace outgoing tenants with new tenants, increase in rental arrears and vacancy periods, changes in retail tenancy laws and external factors including terrorist attacks, significant security breaches or a major world event.

There is a risk that rental income may be materially different to that expected. Rental income may decline for a number of reasons, including as a result of failure of existing tenants to perform existing leases in accordance with their terms, failure on the part of HDN to enforce contracted rent increases or agree market rental reviews or termination of a lease by a tenant due to convenience or failure on the part of HDN to meet lease terms. This has the potential to decrease the value of HDN and would also have an adverse impact on HDN's financial performance.

Unable to lease properties, or they may be vacant

Leases of existing properties and those being acquired will come up for renewal on a periodic basis. There is a risk that HDN may not be able to negotiate suitable lease extensions with existing tenants or replace outgoing tenants with new tenants on the same terms or at all or be able to find new tenants to take over space that is currently unoccupied. Should HDN be unable to secure a replacement tenant for a period of time, if replacement tenants lease a property on less favourable terms than existing lease terms or is unable to secure a tenant for a vacant property (or parts thereof) for a period of time, this will result in lower rental returns to HDN, which could materially adversely affect HDN's financial performance.

Value of its portfolio or individual properties may fall

The value of HDN's portfolio, or individual properties within its portfolio, may be impacted by a number of factors affecting the Australian property market generally, as well as HDN. The properties are independently valued regularly in accordance with HFML's valuation policy. These valuations represent only the analysis and opinion of the valuation experts at a certain date and are not guarantees of present or future property values. Property values may fall if the underlying assumptions on which the valuation reports are based change in the future. Valuations may differ depending on the valuer appointed. A valuation may not reflect the actual price that would be realised if a property is sold. As property valuation adjustments are reflected in HDN's statement of profit and loss, any decreases in value would have a corresponding effect on the statement of profit and loss and HDN's financial position and performance.

Retail property sector concentration

HDN's portfolio is principally comprised of retail properties and is therefore exposed to the retail property sector. As a result of this exposure, HDN's performance depends, in part, on the performance of the Australian retail property sector. In addition, if any of the sub-sectors in New South Wales, Queensland, Victoria, Western Australia or South Australia experience a downturn in activity, HDN's financial performance may be adversely impacted.

Tenant concentration

Whilst HDN has a diverse tenant mix, a high proportion of the gross property income from its portfolio is generated from the top 20 tenants. There is therefore a risk that if one or more of the major tenants ceases to be a tenant, HDN may not be able to find suitable replacements or may not be able to secure lease terms that are as favourable as current terms. HDN's financial performance could be adversely impacted if it is unable to secure a replacement tenant for a major tenant for a period of time or if replacement tenants lease the property on less favourable terms.

Key risks

Responsible entity and management

HFML acts as responsible entity of HDN and has delegated the day to day management of HDN and its portfolio to investment and property managers (which are wholly-owned subsidiaries of Home Consortium (**HMC**)), and is also assisted by other external services providers. Accordingly, HDN is reliant on the management expertise, support, experience and strategies of the key executives of HMC and other third parties, which cannot be assured. If HMC and other third parties do not perform as service providers, this could have an adverse impact on the management and performance of HDN.

If HFML is replaced as responsible entity of HDN by an entity that is not a related body corporate of HMC, there is potential for adverse effects to be experienced by HDN due to the loss of services of its current investment and property managers (as such arrangements may be terminated if there is a change in responsible entity of HDN).

Relationship with HMC

Although HDN believes its close association with HMC will bring many benefits, there are also certain risks that are inherent in the relationship. In performing its roles of responsible entity of HDN, coowner of certain properties, manager of HDN and its properties, property developer, and provider of corporate and other services, the interests of HMC and HDN may not be aligned, and HMC may pursue its own interests. While many aspects of the relationship are governed by detailed agreements, given the dependence of HDN on HMC and the limited termination rights in such arrangements, it may be difficult for HDN to negotiate amendments to those agreements and it would be difficult for HDN to remove HMC from any of the roles it will perform with respect to its portfolio.

Model portfolio

While the portfolio has been constructed, and the Acquisition undertaken, with reference to HDN's model portfolio, the actual composition of HDN's portfolio may be inconsistent with the model portfolio at any given point in time. Moreover, HFML may deem it necessary or in the best interests of Unitholders, to target a portfolio composition that departs from the model portfolio in order to achieve the objectives of HDN.

Finally, the model portfolio may be modified over time to reflect updated quantitative analysis, which could cause the actual composition of the portfolio to differ from the model portfolio.

E-commerce trends

There has been an observed trend towards consumers using e-commerce sales channels when purchasing goods and services. This trend has resulted in significant disruption to the operations of traditional retailers, some of which are tenants within HDN's portfolio of centres. There is a risk that consumer preferences for online shopping may, over time, reduce the level of trading seen at properties in HDN's portfolio. Moreover, the overall disruption to retailing in Australia associated with e-commerce may ultimately impact upon the rents that can be charged by retail focused landlords, such as HDN. A fundamental shift away from in-store shopping across all retail categories would likely have a negative impact on HDN's financial performance and position.

Capital expenditure requirements may be higher than expected

Whilst capital expenditure is not anticipated to be significant, there is a risk that the required capital expenditure will exceed HDN's current expectations, which could lead to increased funding costs and adversely impact distributions.

Some examples of circumstances that may require capital expenditure in excess of the anticipated amount include property damage caused by fire, flood or other disaster, changes to laws or council requirements such as environmental, building or safety regulations, or property defects or environmental issues that become apparent in the future and need to be repaired or addressed. Any required or unforeseen material capital expenditure on the properties that is not covered by insurance could impact HDN's financial performance and distributions.

Development activities may involve higher risks

In seeking to maximise returns for investors, HDN intends to develop property in the future, including utilising the low site coverage ratio. HDN will consider opportunities to enhance the value of the broader portfolio and may selectively acquire new properties which have development potential. There are typically higher risks associated with development activities than holding developed assets. The risks faced by HDN in relation to existing or future development projects will depend on the terms of the transaction at the time. HDN seeks to mitigate the risks associated with development projects by employing the following risk mitigation strategies:

- ensuring that it has lease commitments (in the form of agreements for lease) in respect of at least 50% of the GLA before commencing development; and
- backing contractor obligations with unconditional bank guarantees.

Development activities require various approvals from the relevant State planning authorities. There is a risk that the relevant approvals may not be obtained on the basis of HDN's application, are on conditions that are unsatisfactory or may not be granted at all. Changes in government regulations and policies, failure to obtain or delays in the granting of planning approvals may affect the amount and timing of HDN's future profits.

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Key risks

Properties are illiquid

Property assets are by their nature illiquid investments. If it were necessary or desirable for HDN to sell one or more of the properties in its portfolio, it may not be able to do so within a short period of time or it may not be able to realise a property for the amount at which HDN has valued it. Any protracted sale process, inability to sell a property or sale at a price that is less than HDN's valuation of the property may adversely affect HDN's financial performance and distributions.

Environmental compliance costs and liabilities

While HDN undertakes comprehensive legal due diligence in relation to the properties in its portfolio, unforeseen environmental issues may affect any of its properties. Whilst HDN is not aware of any material environmental contamination at any of its properties, there is a risk that a property in the portfolio (or a property close to a property in the portfolio) may be contaminated now or in the future.

Government environmental authorities may require HDN to remediate such contamination and HDN may be required to undertake any such remediation at its own cost. HDN may be liable to remedy sites affected by environmental issues even in circumstances where HDN is not responsible for causing the environmental liability. The cost of such remediation could be substantial. In addition, if HDN is not able to remediate the site properly, this may adversely affect its ability to use the relevant property for alternative uses, sell the relevant property or to use it as collateral for future borrowings. Any such event could adversely impact HDN's financial performance. An environmental issue may also result in interruptions to the operations a property, causing lost income which may not be recoverable.

HDN may not be able to meet its forecasts

All forward-looking statements, opinions and estimates provided by HDN rely on various factors, many of which are outside the control of HDN. There can be no guarantee that the assumptions on which the forward-looking statements, opinions and estimates are based, will ultimately prove to be valid or accurate, including rents, property costs and corporate expenses incurred by HDN. HDN can give no assurance that HDN's actual results will not differ materially from those presented. Any material adverse difference may adversely affect the value of the Units.

Insurance risk

HDN maintains appropriate insurance coverage in respect of its portfolio where insurance coverage is available on commercial terms and at acceptable prices. Insurance cover may not be available for certain types of losses (for example, losses caused by war, riots and civil commotion) or even if it is available it may be too expensive. Any losses incurred due to uninsured risks, or a loss in excess of the insured amounts, could lead to a loss of some of the capital invested by HDN, and could adversely affect the financial performance of HDN. Increases in insurance premiums as a result of insurance claims or otherwise may also adversely affect HDN's financial performance.

HDN may be unable to refinance, repay or renew its debt

Whilst HDN has received credit approved commitments from existing HDN lenders that materially exceed the debt funding requirements it is still conditional on the signing of financing documents which HDN is targeting by 31 July 2021. If HDN is unable to sign financing documents and find alternative debt financing, HDN may not be in a position to fully fund the Acquisition.

HDN uses bank debt to partially fund its business operations. The first and second tranches of the debt facilities the REIT has in place will both expire three (3) years after the date of financial close under the debt facilities. HDN is subject to various financial and non-financial covenants under the debt facilities which could limit its future financial flexibility.

Interest payable on the debt facilities will depend on the interest rate, which is comprised of a base interest rate plus a variable interest rate margin. An increase in interest rates or an increase in the margins on which financing can be obtained may increase HDN's financing costs. For example, the applicable margin for each tranche of the debt facilities will increase as the loan to value ratio increases.

If HDN's financial performance deteriorates, including due to a decline in rental income or the value of its portfolio, HDN may be unable to meet the covenants under the debt facilities. This may require HDN to seek amendments, waivers of covenant compliance or alternative borrowing arrangements, to reduce debt or raise additional equity.

If a breach of covenant under the debt facilities were to occur, there is no assurance that a debt financier would consent to an amendment or waiver, or that debt financiers would not exercise enforcement rights, including cancelling the debt facilities, requiring immediate repayment or enforcing their security. If a debt financier enforces its security over the relevant assets of a subsidiary of HDN which has provided security to support HDN's debt financing and forces a sale of the secured property, there is a risk that the value received may be less than the amount of the secured obligations and may be less than the optimal sale price. If HDN is unable to repay or refinance the debt facilities upon maturity or in the event of a breach of covenant, HDN may have to seek further equity, dispose of assets or enter into new debt facilities on less favourable terms. These factors could materially adversely affect HDN's ability to operate its business, acquire new properties and fund capital expenditure and could materially adversely affect the financial performance of HDN and distributions, and HDN may suffer reputational damage which could result in lenders being unwilling to extend additional finance or potentially raise future borrowing costs.

In the future, HDN may also need to access additional debt financing to grow its operations and its portfolio. If HDN is unable to refinance, repay or renew its debt facilities or otherwise obtain debt finance on favourable terms, HDN may not meet its growth targets, which may adversely impact HDN's financial performance and distributions.

Key risks

Retail tenancies legislation

Retail tenancies legislation in force in each Australian State and Territory regulates the terms on which leases and licences are granted to tenants of retail premises. For example, in certain of those jurisdictions, retail tenancies legislation prohibits a landlord from recovering land tax in respect of any site from which a retail business is conducted. As a retail business is carried on at each property in its portfolio, HDN has considered the potential application of retail tenancies legislation in respect of the its business and, in the case of each lease, considers that such legislation by its terms does not apply to the leases or, if it does apply, it intends to comply with applicable legislation. There is a risk that retail tenancies legislation in any Australian State or Territory may be amended in a manner unfavourable to HDN or that HDN does not comply with applicable retail tenancies legislation. In that event, HDN may be adversely impacted as a result.

Risks associated with an investment in HDN units

There are general risks associated with investments in equity capital such as HDN's units. The trading price of HDN's units may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Units being issued under the Placement being more or less than the issue price. Generally applicable factors that may affect the market price of securities include general movements in Australian and international stock markets, investor sentiment, Australian and international economic conditions and outlooks, changes in interest rates and the rate of inflation, change is in government legislation and policies, geo-political instability including international hostilities and acts of terrorism, demand for and supply of HDN's units, announcements and results of competitors and analyst reports.

No assurance can be given that the New Units issued under the Placement will trade at or above the issue price. None of HFML, its directors or any other person guarantees the performance of HDN's units.

Distributions

The payment of distributions in respect of HDN's units is impacted by several factors, including HDN's profitability, capital requirements and free cash flow. Any future distributions will be determined by HFML's board having regard to these factors, among others. There is no guarantee that any distribution will be paid by HDN, or if paid, paid at historical levels.

Impact of climate change

Climate change presents a potentially material risk to HDN. The increasing severity of acute weather events (such as heatwaves, cyclones and storms) and chronic climate impacts may affect one or more of HDN's properties (and associated communities) through physical damage, operating costs, ability to trade, consumer visitation and retail sales. These acute weather events may be sudden and acute or more gradual in nature. For example, a property may be damaged by storms or flooding which requires extensive repairs and may impact sales at that property. Alternatively, tenants may be impacted by disruptions to sales or their supply chains. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaption requirements related to climate change. These may require HDN to incur costs to address these changes.

Appendix B: Summary of Underwriting Arrangements

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Summary of Underwriting Arrangements

Macquarie Capital (Australia) Limited is acting as sole lead manager and underwriter of the Placement (**Lead Manager**). HFML as responsible entity of HDN entered into an underwriting agreement with the Lead Manager in respect of the Placement (**Agreement**). The Agreement contains representations and warranties and indemnities in favour of the Lead Manager. The Lead Manager may also, in certain circumstances, terminate its obligations under the Agreement if any of the following material termination events occur by giving written notice to HFML as responsible entity of HDN (some of which are subject to a market standard materiality qualifier):

a. a statement contained in the materials released to ASX in connection with the Placement (**Offer Materials**) is, or the Lead Manager becomes aware that such a statement was at the time it was made, false, misleading or deceptive (including by omission);

b. an event specified in the timetable for the Placement is delayed for more than one business day (other than any delay agreed by the Lead Manager in writing);

c. HDN is unable to is unlikely to be able to issue the New Units on the date for issue of the securities as specified in the timetable for the Placement;

d. HFML alters HDN's capital structure or its constitutions (other than as contemplated in the Agreement);

e. there is a material adverse change or effect affecting the general affairs, business, operations, assets, liabilities, financial position or performance, profits, losses or prospects, earnings position, shareholders' equity, or result of operations of HDN or its subsidiaries or otherwise (taken as a whole) when compared to the position disclosed in the Offer Materials or otherwise disclosed by HDN to ASX on or prior to the date of the Agreement;

f. ASIC issues, or threatens to issue, proceedings or commences any inquiry or investigation in relation to the Placement;

g. ASX makes any official statement to any person, or indicates to HDN, or the Lead Manager (whether or not by way of an official statement) that HDN's existing securities will be suspended from quotation, HDN will be removed from the official list of ASX, or that quotation of the all of the securities to be issued under the Placement will not be granted ASX or such approval has not been given before the close of business on the last date on which the securities may be issued or such suspension from quotation occurs;

h. any governmental agency issues proceedings or commences any action, inquiry, investigation or hearing against or in respect of HDN or its subsidiaries, or announces that it intends to take any such proceedings or action;

i. HFML as responsible entity of HDN is in breach of the Agreement or any of its representations or warranties in the Agreement is not true or correct when made or taken to be made;

j. if any of the obligations of the relevant parties under any of the contracts that are material to the business of HDN and its subsidiaries, or any acquisition agreements, are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager);

k. if any of the obligations of the parties to the agreements in connection with the Acquisition or amendment or extension of existing credit facilities or any other debt facility that is being relied upon by HFML in order to fund the Acquisition, are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if any such contracts are terminated or breached in a material respect (amongst others);

l. HDN or its subsidiaries breaches, or defaults under any provision, undertaking, covenant or ratio of a material debt or financing arrangement or any related documentation to which that entity is a party which is not promptly waived by the relevant financier or financiers, and the effect of which has or is likely to have a material adverse effect or which materially adversely affects HFML or HDN's capacity to meet its obligations under the agreements in connection with the Acquisition;

m. a change in senior management or the board of directors of HFML as responsible entity of HDN occurs or is announced, or a change to the responsible entity of HDN occurs;

Summary of Underwriting Arrangements

n. any government agency commences any public action against an officer of HFML as responsible entity of HDN in his or her capacity as an officer of HFML as responsible entity of HDN or announces that it intends to take any such action or an officer of HFML as responsible entity of HDN is charged with an indicatable offence or is disqualified from managing a corporation under the Corporations Act;

o. hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United Kingdom or the United States or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries or anywhere else in the world;

p. there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Agreement); or

q. any of the following occurs (i) a general moratorium on commercial banking activities in Australia is declared by the relevant central banking authority, or there is a disruption in commercial banking or security settlement or clearance services in that country or (ii) trading in all securities quoted or listed on ASX is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading.

If the Lead Manager terminates its obligations under the Agreement, the Lead Manager will not be obliged to perform any of its obligations that remain to be performed. Termination of the Agreement by the Lead Manager could have an adverse impact on the amount of proceeds raised under the Placement.

For details of fees payable to the Lead Manager, see the Appendix 3B released to ASX on 5 July 2021.

Appendix C: Foreign Offer Restrictions

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Foreign Offer Restrictions

This document does not constitute an offer of new ordinary units ("New Units") of HDN in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Units may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Units have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Units has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Units that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Units are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. HDN is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the New Units are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Units may not be circulated or distributed, nor may the New Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" or "accredited investors" (as defined in the SFA) or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined under the SFA) or (ii) an "accredited investor" (as defined under the SFA). In the event that you are not an "institutional investor" or "accredited investor", please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Units being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.