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## ASX RELEASE

### HMC CAPITAL UPDATE ON PROPOSED \$1.0 BILLION LAST MILE LOGISTICS FUND

HMC Capital (**ASX: HMC**) today announces an update in relation to its proposed Last Mile Logistics unlisted fund (**LML Fund**) growth initiative.

#### Key Highlights

- On-track to establish LML Fund in 1H 2023 with a target first close equity raising of \$500m, which will provide up to \$1.0bn of acquisition funding capacity
- Important step in achieving our \$10bn growth objective before the end of 2024
- FY23 DPS guidance of 12.0 cents reaffirmed

#### Acquisition of Seed Asset for LML Fund

HMC Capital has secured the first seed asset for the LML Fund with the proposed acquisition of Menai Marketplace, Sydney for \$150m.

Menai Marketplace is a highly productive asset located 30km from the Sydney CBD, within the Sutherland Shire and is anchored by a Woolworths supermarket. The asset supports a large and established trade area with attractive fundamentals including average household income which is 20% above the national average.

The strategic location, tenancy mix, short WALE and low site coverage of 32% make the centre well suited to the LML Fund strategy which is targeting core plus returns from repositioning well-located and strategic real estate into daily needs retailer focused infrastructure.

Settlement is expected to occur in February 2023.

#### Fund Raising Update

##### Early investor commitments

The LML Fund has secured \$92m of early equity commitments from Woolworths<sup>1</sup> and HomeCo Daily Needs REIT (**ASX: HDN**).

- The commitment from HDN highlights the complementary nature of the LML Fund strategy and the opportunity for HDN to benefit from a significant pipeline of acquisition opportunities in the future
  - The LML Fund will grant HDN a right of first offer to acquire properties from the LML Fund which have been successfully transitioned into core daily needs assets

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<sup>1</sup> Woolworths has provided the LML Fund with a \$42m seed equity commitment on the basis that the commitment will be substituted (and repaid) by new LML Fund investors by no later than 24 months from financial close of the LML Fund.

- The LML Fund will target transition assets which are outside of HDN’s investment mandate as detailed in appendix A – the LML Fund will not acquire assets that fall under HDN’s investment mandate without HDN being offered the opportunity first
- Significant work has gone into developing the LML Fund structure and investment mandate to ensure that there is no overlap or conflicts with HDN

### Institutional investor fund raising

Institutional investor feedback on the LML Fund strategy has been positive and investors are currently in due diligence and progressing internal approvals.

- LML Fund is on-track for target first close equity raising of \$500m in 1H 2023

HMC Capital CEO and Managing Director David Di Pilla, said: *“We are making strong progress executing on our key growth initiatives notwithstanding the uncertain and volatile market backdrop. The strong level of engagement and interest from institutional investors reinforces our high conviction in the last mile logistics strategy.”*

*“The LML Fund represents the first of what is expected to be a series of funds which we believe can over time grow into a multi-billion-dollar strategy. Importantly, this initiative will further diversify HMC Capital’s sources of capital and is consistent with our strategy to strategy to create a more sophisticated and diversified business which can thrive in both stable and volatile market environments.”*

### Fund Overview

Last Mile Logistics Fund (LML)	
Target Fund Size	▪ \$1.0 billion
Target Raise (first close)	▪ \$500 million
Investment Strategy	▪ Fund will target core plus transition assets (Sub Regional, Neighbourhood and LFR assets) with potential to unlock additional upside through repositioning the assets into non-discretionary Daily Needs uses with essential last mile real estate infrastructure <sup>2</sup>
Target returns	▪ +10% levered IRR
Term	▪ Initial term of 7 years
Target gearing	▪ 50% of GAV
Fees <sup>3</sup>	<ul style="list-style-type: none"> <li>▪ Investment management, Leasing &amp; Development</li> <li>▪ Performance fees</li> <li>▪ Base management fees at HDN fund level (in respect of its investment into LML fund) are to be waived and HDN will not be charged acquisition fees in respect of its investment into the LML Fund</li> </ul>

Authorised for release by the Board.

<sup>2</sup> To be held primarily for the purposes of deriving rental income.

<sup>3</sup> LML Fund fees to be waived on Woolworths commitment, which is expected to be repaid with funds raised from institutional investors.

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## About HMC Capital

*HMC Capital is an ASX-listed diversified alternative asset manager which invests in high conviction and scalable real asset strategies on behalf of individuals, large institutions, and super funds. HMC Capital currently manages approximately \$6bn of external assets under management across real estate and private equity.*

*In August 2022, HMC established HMC Capital Partners Fund I, an open-ended unlisted fund providing exposure to a high-conviction investment strategy seeking to generate superior risk-adjusted returns. HMC Capital Partners Fund I targets public and private companies in Australia and New Zealand with real asset backing.*

## Disclaimer and Important Information

*This announcement (**Announcement**) has been prepared by HMC Capital Limited (ACN 138 990 593).*

## Summary information

*The information in this Announcement is of a general nature and does not purport to be complete. This Announcement 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 disclosure document (such as a prospectus) prepared in accordance with the requirements of the Corporations Act. This Announcement is subject to change without notice and HMC Capital may in its absolute discretion, but without being under any obligation to do so, update or supplement the information in this Announcement.*

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# Appendix A: Investment Mandate

The LML Fund will not acquire assets that fall under HDN's investment mandate without HDN being offered the opportunity first

	HomeCo Daily Needs REIT	Last Mile Logistics Fund	Comment
<b>Subsectors</b>			
Sub Regional	✗	✓	<ul style="list-style-type: none"> <li>HDN has no exposure to discount department stores</li> </ul>
Neighbourhood	✓ <i>Stabilised</i>	✓ <i>Transition</i>	<ul style="list-style-type: none"> <li>LML Fund will target transitional assets with major repositioning opportunities that may result in higher levels of income downtime</li> </ul>
Large Format Retail	✓ <i>Stabilised</i>	✓ <i>Transition</i>	<ul style="list-style-type: none"> <li>LML Fund will consider LFR centres with major repurposing opportunities that may have some portion of income downtime</li> </ul>
Mixed Use	✗	✓	<ul style="list-style-type: none"> <li>Mixed-use projects may include any combination of housing, office, retail, medical, recreational, commercial or industrial components</li> </ul>
Vacant Land	~	✓	<ul style="list-style-type: none"> <li>LML Fund has the ability to acquire all types of vacant land opportunities</li> <li>HDN vacant land acquisitions are typically limited to strategic land parcels adjoining an existing centre</li> </ul>
<b>Exposure</b>			
Supermarkets	✓	✓	
Health & wellness	✓	✓	
Services	✓	✓	
Bulky Goods	✓	✓	
Homewares	✓	✓	
Food Retail	✓	✓	
Food Catering	✓	✓	
Leisure	✓	✓	
Department Stores	✗	✓	<ul style="list-style-type: none"> <li>HDN has no exposure to department stores</li> </ul>
Discount Department Stores	✗	✓	<ul style="list-style-type: none"> <li>HDN has no exposure to discount department stores</li> </ul>
Cinemas	~	✓	<ul style="list-style-type: none"> <li>HDN target exposure to cinema tenants is capped at 10% of NOI at any individual asset</li> </ul>
Apparel	~	✓	<ul style="list-style-type: none"> <li>HDN target exposure to apparel tenants is capped at 10% of NOI at any individual asset</li> </ul>
Jewellery	~	✓	<ul style="list-style-type: none"> <li>HDN target exposure to jewellery tenants is capped at 10% of NOI at any individual asset</li> </ul>