**Disclosure document**
Issue Date: 1 February 2012

# Australian Property Fund/

## Future state of APF

The Australian Property Fund (APF or the Fund) is now liquid under the Corporations Act 2001 (Act). This document contains important information about how the new withdrawal process works and provides an overview of the product design and investment management changes that have been or will be implemented in the future. This document should be read in conjunction with any other disclosure, including the letter titled 'Setting a new agenda' and the 'ASIC Property funds disclosure' for APF (available at **axa.com.au**).

### Updating information

We will keep you informed of any material changes or updates to the information contained in this document online at **axa.com.au> Changes to AXA's property and mortgage funds> AXA's property funds**.

## Background

In November 2008, a lack of market liquidity caused the Fund and the Wholesale Australian Property Fund (WAPF, in which APF invests) to be declared illiquid under the Corporations Act. The Fund closed to both applications and withdrawals of units from new and existing investors with the exception of three formal withdrawal offers and financial hardship payments, which have provided limited liquidity opportunities for investors. The Fund's Responsible Entity has now determined that APF satisfies the Corporations Act definition of a liquid fund, based on a change to WAPF's liquidity status (it too is now liquid under the Corporations Act) and changes in the operation of WAPF outlined below.

### What has changed?

Now that APF is liquid, investors are able to make withdrawal requests. Following an extensive review process, we have decided to:

- immediately commence a Temporary Withdrawal Process to facilitate an orderly withdrawal process, and
- implement certain product design changes, and
- implement certain investment management changes to WAPF, including the introduction of borrowing. These changes impact APF investors indirectly because APF predominantly, and at times fully, invests into WAPF. Therefore we have included further details of these changes towards the end of this document (see 'Wholesale Australian Property Fund').

**You should be aware that some of the changes will be implemented immediately, while others will not be implemented until a future date. You should read and understand this document carefully, including the risks, as the changes will impact you regardless of whether you choose to withdraw your investment or remain invested in the Fund.**

The changes as described in this document aim to combine existing elements and approaches of the current Fund, while seeking to improve APF's ongoing liquidity management. With these changes and the ongoing support and expertise of our new investment manager AMP Capital Investors Limited (AMP Capital), we're confident that we can continue to build on the Fund's strong foundations, which have delivered a positive average annual return for investors of 5.82% pa (net of fees)* since the Fund's inception in 2001.

## What is the Transition Period?

Throughout this document we refer to a Transition Period. The Transition Period commences now and will continue for the time it takes to complete the Temporary Withdrawal Process (see 'Temporary Withdrawal Process' section for more information).

Our objective is for the Transition Period to end on or before 30 January 2013. However, for various reasons and in certain circumstances, we may be required to extend the Transition Period up until 30 January 2014 (See 'Completion of the Transition Period' section for more information).

Once the Transition Period is complete, it's expected that withdrawal requests for the Fund will be processed on a monthly basis. Alternatively, if the Temporary Withdrawal Process cannot be completed by 30 January 2014, the Transition Period will end and the Fund will in all probability be wound up (See 'Completion of the Transition Period' section for more information, including the circumstances that might prevent the Temporary Withdrawal Process from completing).

### Temporary Withdrawal Process

As APF is now liquid, withdrawal requests are once again permitted subject to a new, temporary withdrawal process which is outlined below.

The Temporary Withdrawal Process is being introduced as an interim measure targeted at enabling APF to return to normal operation in a phased manner, providing time to generate sufficient liquidity to meet investor demand and to continue to manage the Fund's assets so that the value of APF is preserved for investors who wish to remain in the Fund.

* At 31 December 2011

All withdrawal requests received between 31 January 2012 and 24 May 2012 will be treated as being received on 31 January 2012. This ensures all investors are treated equally and means that you have time to talk to your financial adviser and consider the appropriate decision for you.

You may also lodge withdrawal requests after 24 May 2012 and up until the end of the Transition Period and they will be dealt with as set out below.

### Payment of withdrawal requests during the Transition Period

During the Transition Period, the intention is to satisfy withdrawal requests received in the following manner:

- Withdrawal requests received before or on 24 May 2012 will be paid no later than 30 January 2013.
- Withdrawal requests received at any other time during the Transition Period will be paid after those requests received by 24 May 2012 and on a 'first in first out' basis, within 12 months of being received.

The Fund's constitution requires a withdrawal request to be satisfied within 12 months, however this can be extended under certain circumstances. Further information is provided in the section 'Our ability to pay withdrawal requests in the Transition Period' further in this document.

### Additional information about withdrawals during the Transition Period

To submit a withdrawal request, please complete and return the 'AXA's Direct Property Funds Withdrawal Form', available from **axa.com.au> Changes to AXA's property and mortgage funds> AXA's property funds**. For applicable terms and conditions, please refer to the withdrawal form.

Your withdrawal payment will be made using the applicable unit price, calculated using market values immediately prior to the effective date of payment. For example, if we process your withdrawal effective 20 January 2013, this will be paid using the unit price calculated at the close of business that day.

Unless you advise us otherwise, all payments will be made payable via cheque, which will be sent to the investor's registered address.

Further information on the withdrawal process can be found in the Frequently asked questions document, provided with the letter you have received. Additionally, you can contact our Customer Service Centre on 131 737 or visit **axa.com.au> Changes to AXA's property and mortgage funds> AXA's property funds** for more information.

### Our ability to pay withdrawal requests during the Transition Period

Whether we are able to pay your withdrawal request will critically depend on WAPF remaining liquid and able to meet redemptions on an ongoing basis. If WAPF were for any reason to become illiquid again, APF would be unable to pay withdrawal requests in the manner set out above. For more information on the payment of withdrawal requests, including the factors that may impact WAPF's ability to remain liquid, refer to 'Funding of withdrawal requests' and 'Further information on our ability to pay withdrawals' later in this document under 'Wholesale Australian Property Fund'. You should also read 'Completion of the Transition Period' further in this document.

## Applications and reinvestment of distributions during the Transition Period

The Fund will be re-opened to applications from existing investors from 1 July 2012, including the distribution reinvestment plan facility. Application rules will be consistent with those that existed prior to the Fund being declared illiquid and these are summarised below.

You can make additional investments in the Fund of at least $1,000 by sending us a cheque together with a letter stating your investor number, the name of the Fund and the amount of the investment. Relevant fees and expenses will apply to all additional investments.

You should note that if you make an additional investment while the Fund is in its Transition Period, there is a risk that the withdrawal process will be cancelled and the Fund will proceed to a wind up on or before 30 January 2014, in which case you may be unable to achieve your investment objective in relation to your additional investment.

## Completion of the Transition Period

We will end the Transition Period only when we are in a position to satisfy all withdrawal requests received during the Transition Period. It is our intention to achieve this by 30 January 2013. However, should this not be accomplished, the Transition Period may be extended, continuing until 30 January 2014. Factors that may contribute to our decision to extend the Transition Period to 30 January 2014 include:

- our ability to sell properties held by WAPF (see the section 'Funding of withdrawal requests')
- the level of withdrawal requests received by both APF and WAPF, and
- the amount of liquidity available within the Fund to make withdrawal payments.

You should also be aware that various circumstances may arise that may result in the Transition Period ending early and the likelihood of the Fund being wound up. These include:

- the decision is made to wind up WAPF, including if withdrawal requests received by WAPF during the Transition Period exceed 50%
- we are of the view that the Transition Period cannot be completed by 30 January 2014, for example, because we believe that withdrawal requests cannot be paid by 30 January 2014

- we are unable to pay out withdrawals in full within 12 months of them being received, or
- WAPF or the Fund is again considered to be illiquid under the Corporations Act.

Should any of these conditions occur, it is likely that the Fund will be wound up, and in that event all unpaid withdrawal requests will be cancelled. Please also note that these conditions can change over time and therefore it is possible that some withdrawal requests will be paid before the decision is made to wind up the Fund. If the Fund is wound up, investors will be returned their proportionate share of the Fund's capital periodically as we realise the assets of the Fund. The first capital payment will be made shortly after the decision is made to wind up the Fund and thereafter capital will be returned as assets are sold, which is expected to take between two and four years.

See 'Wholesale Australian Property Fund' for information about withdrawal requests and other circumstances in which WAPF may be wound up.

**It's important to note that at any stage during or post the Transition Period, the Responsible Entity reserves the right to wind up the Fund and will do so if it considers it in the best interests of investors. If that were to occur, any unpaid withdrawal requests will be cancelled.**

## Withdrawals after the Transition Period

If the Transition Period ends and the Fund is not wound up, it is expected that withdrawal requests will be processed monthly according to specified cut-off dates, which will be advised when we move to this approach.

If all withdrawal requests received by us in any month exceed the available liquidity in the Fund that month, we will not pay withdrawals on a pro-rata basis. Rather, we will treat these requests as if they were received in the following month, subject again to the same restriction applying in that month. Withdrawals will be paid on a 'first in first out' basis.

We will aim to pay withdrawal requests within five Melbourne business days after the cut off date, however we cannot give an absolute assurance that a longer withdrawal period will not apply. Investors should be aware that they may not receive the amount requested until later months and under the Fund's constitution we have up to 12 months to satisfy a withdrawal request (and longer in some circumstances). Your withdrawal payment will be made using the applicable unit price, calculated using market values immediately prior to the effective date of payment.

We will only process one withdrawal request from each investment. If you send multiple withdrawal requests, we will process the latest valid request we receive. To amend or cancel your request, please notify us in writing by either mail or fax or contact our Customer Service Centre on 131 737. Please note any new instructions will replace the withdrawal request you previously submitted.

This withdrawal process will only apply after the Transition Period and while the Fund continues to be liquid. Where the Fund ceases to be liquid as defined under the Corporations Act, withdrawals will be cancelled and investors will be unable to withdraw from the Fund unless and until NMFM chooses to make a withdrawal offer.

## Other impacts on the Fund

### Financial hardship

We will continue to allow financial hardship payments in accordance with ASIC's guidelines. If withdrawal requests are able to be satisfied in shorter periods of time, we intend to suspend financial hardship applications. Please refer to **axa.com.au>Investment> Changes to AXA's property and mortgage funds** for more information.

### Fees and expenses

This section details fees and other costs that you may be charged. These fees and costs may be deducted from your investment account, from the returns on your investment or from the Fund assets as a whole.

The management fee will remain unchanged at 1.90% pa of the net asset value of the Fund.

### Distributions

There will be no change to the distribution policy of the Fund – quarterly distributions will continue under the new proposal.

You should be aware that although the Fund's objective is to pay distributions quarterly, the amount of each distribution may vary or no distribution may be payable in a quarter.

As with fees and other expenses, the changes to WAPF's product design and investment strategy may impact future income distribution yields, which WAPF pays to its investors including APF, and these may decrease slightly in the short term under the new proposal.

## What are the risks?

Your appetite for risk or the level of risk you are willing to accept is an important consideration in any investment decision. Before you think about whether the changes to the Fund suit you and are aligned to your financial goals, it's important that you understand the risks associated with your investment.

The principal risks that apply to the Fund are:

- **Risk of wind up:** There are a number of circumstances that may result in the Fund being wound up. These include:
  - if WAPF is wound up (see 'Wholesale Australian Property Fund')
  - if WAPF or the Fund is declared illiquid under the Corporations Act either during the Transition Period or thereafter whether due to a deterioration in market conditions, withdrawal requests exceeding available liquidity, a change in the Corporations Act definition of a liquid fund or other reason
  - we form the view that wind up is in the best interests of investors.

  In the event that a decision is made to wind up the Fund, all unprocessed withdrawal requests lodged will be cancelled, the Fund's assets realised and each investor will be returned their share of the sales proceeds (less costs, expenses and fees). Payments will be made over a period of time (probably two to four years) as assets are realised. All investors including those who wished to remain invested will have their capital returned in this case. This risk is greatest during the Transition Period, but even after the Transition Period it may be the case that the Responsible Entity forms the view that it is in the best interests of investors to terminate the Fund.

- **Liquidity risk:** Liquidity refers to the ease with which an asset can be bought and sold in the market place at its current value. Direct property assets such as those held in WAPF are inherently less liquid than other assets such as listed securities, they may also be difficult to sell, and their value may not be fully recoverable in the event of a sale. A drop in the liquidity level of the Fund increases the risk that the amount of cash available to the Fund to meet withdrawal requests may be reduced. This could result in the non-payment of withdrawal amounts in the future and the Fund may once again be declared illiquid.
- **Property investment risk:** The returns from property investments such as those held in WAPF may fluctuate from year to year, which means the stability of your capital investment in the Fund is not guaranteed. Property assets may require significant time to sell, which means that immediate access to your capital investment in the Fund is not guaranteed. The Fund's returns may be affected by factors such as the quality of underlying properties, geographic location, demand in the market place by investors for property, the demand by tenants for commercial space, rental income levels, the supply of new commercial space and capital expenditure requirements.

There are other risks that may indirectly impact investors in APF as they are risks that impact investors in WAPF (see 'Wholesale Australian Property Fund').

As the risks outlined in this section do not take into account your personal circumstances, you should obtain professional advice to determine whether remaining in the Fund suits your investment objectives, financial situation and particular needs. These risks should be considered in the context of investment in a property trust generally and should be considered also together with all the other risks which have been outlined in previous product disclosure statements applicable to the offer of interests in the Fund.

## Your financial adviser can help

We highly recommend you discuss the changes to the Fund with your financial adviser. It's a good time to take stock and to think about how the changes to the Fund and the new investment opportunity may affect you and your financial plan. Your financial adviser can help you make sense of the changes and recommend wealth building strategies to help you stay on track towards securing your financial future.

# Wholesale Australian Property Fund

**For the remaining sections of this disclosure document, references to 'the Fund' are to the Wholesale Australian Property Fund (WAPF).**

**The remaining sections of this document describe changes that directly impact WAPF. They are included in this document because APF invests predominantly, and at times fully, in WAPF, therefore changes and risks impacting WAPF investors are also relevant to APF investors.**

## Organisational overview

### Responsible Entity

The Responsible Entity of WAPF is National Mutual Funds Management Ltd (NMFM).

### Investment manager

In November 2011, AMP Capital* was appointed the investment manager for WAPF, except for the investment management of direct property which will be transitioned from Dexus to AMP Capital on 31 May 2012. The relationship between the Responsible Entity and AMP Capital will be governed by an investment management agreement. NMFM and AMP Capital are both members of the AMP Group.

AMP Capital is one of Australia's leading specialist investment managers with over 250 investment professionals and a carefully selected global network of investment partners. AMP Capital manages approximately A$93 billion in funds under management and offers significant depth and breadth of investment expertise across a range of asset classes.

With a 50-year track record and over A$22 billion† in property assets under management, property investment is one of AMP Capital's core strengths. It operates specialist teams with expertise across research, property management, leasing, capital transactions, development and funds management. AMP Capital is the third largest real estate fund manager in Asia and a top 15 real estate investment manager globally.‡

### Listed property securities – AMP Capital Brookfield§

AMP Capital Brookfield will be appointed to manage the Fund's listed property securities (presently there are no listed securities). AMP Capital Brookfield offers an experienced team of global real estate managers, offering clients access to a globally integrated investment platform in real estate securities.

### Cash – AMP Capital

The Fund's cash holding will be managed by AMP Capital, a leading Australian fixed income manager with one of the largest fixed income teams in Australia.

## Funding of withdrawal requests

We have identified various properties currently held in the WAPF portfolio to be sold as part of our property sales programme, which will partly fund the expected initial

* Reference to AMP Capital is to AMP Capital Investors Limited ABN 29 001 777 591 AFSL 232497

† At 30 November 2011

‡ Towers Watson, Global Alternatives Survey, 2011

§ Reference to AMP Capital Brookfield is to AMP Capital Brookfield Pty Limited ABN 82 119 095 297 AFSL withdrawal demand received during the Transition Period. We will seek to sell these properties at prices comparable to their most recent valuation.

We have selected these properties for various reasons, including:

- AMP Capital seeking to reposition the Fund so it is focused on Australian eastern seaboard properties
- removing all New Zealand properties
- removing any exposures to jointly owned properties, and
- generating liquidity by selling only non-core properties while ensuring that the return profile and adequate diversification are maintained within the Fund.

The portfolio metrics before and after the sales are compared below. These figures are as at 31 December 2011:

| | Current | Post-sales |
|---|---|---|
| Portfolio value | $647 million | $423 million |
| Number of assets | 17 | 10 |
| Number of markets (cities) | 7 | 3 |
| Average cap rate | 8.42% | 8.21% |
| Average lease expiry | 4.7 years | 4.4 years |
| Average asset size | $39.0 million | $42.3 million |
| Sector allocation: | | |
| – Office | 37% | 34% |
| – Retail | 25% | 29% |
| – Industrial | 38% | 38% |

The property sales programme commenced in January 2012. The sales strategy and terms of any property sale will be individually approved.

A key factor in determining the end of the Transition Period is the property sales programme. If all the properties slated for sale are sold within 12 months of the commencement of the Transition Period, WAPF is expected to have sufficient capital to fund all withdrawals received at the same time. If the slated property sales are not completed in 12 months, we will allow ourselves an additional 12 months (that is, until 30 January 2014) to sell the targeted properties.

It is also intended that withdrawal requests received during the Transition Period will be funded from a combination of existing cash, and borrowings under the Fund's proposed debt facility (drawn for the purposes of paying the withdrawal requests).

As you will read in the section 'Investment management changes', one of the key modifications being made to the Fund involves the introduction of debt (gearing). It's important to note that debt will not be drawn down until after 31 May 2012 and until we believe we are in a position to pay the withdrawal requests received on or before 31 May 2012. This will depend on the progress of the sales programme and the amount of withdrawal requests we receive and expect to receive.

## Further information on our ability to pay withdrawals

Our ability to pay withdrawal requests, both during the Transition Period and once we move to monthly withdrawal processing, is at all times subject to the Fund continuing to be considered liquid under the Corporations Act. In the event that the Fund becomes illiquid, an investor has no right to withdraw from the Fund, except in accordance with any withdrawal offer the Responsible Entity may elect to make. As noted above, if the Fund were to become illiquid during the Transition Period, other than on a short-term basis, it is likely that the Fund will be wound up and in that event all outstanding withdrawal requests will be cancelled. The Fund could become illiquid due to deterioration in market conditions, withdrawal requests exceeding available liquidity, a change in the Corporations Act definition of a liquid fund, or for other reasons.

Treasury and ASIC are currently considering changes to the Corporations Act relating to when funds are considered liquid. Although the timing of these possible changes is unknown at present, if these changes are implemented and apply to the Fund, it is likely that this would result in the Fund becoming illiquid.

## Investment management changes

### Overview

While WAPF will maintain key elements of the original product, we have decided to make some changes necessary for the future viability of the fund. As such, the new investment profile matches the existing profile in that the Fund will retain its low risk orientation, continue to have an income focus, maintain a prudent approach to capital management, and will continue to hold a core portfolio of office, retail and industrial assets located in Australia. WAPF will also hold a portfolio of Australian listed property securities and a portfolio of cash, which will be used to manage the return profile and liquidity of the Fund.

In this respect, the objective of the Fund, which is to provide income with some long-term capital growth, remains unchanged.

### Asset allocation

The Fund will continue to invest predominantly in Australian direct property. The Fund will also aim to maintain a holding of listed property securities and cash, and may also invest in other managed investment schemes or investment companies.

Looking forward, AMP Capital will determine the appropriate allocation of the portfolio between the permitted asset classes, within the permitted investment ranges.

Set out in the following table are the new investment ranges for the Fund. Asset allocations are expressed as a percentage of assets and may change from time to time. The actual asset allocations will be affected by liquidity requirements, prevailing market conditions and the availability and volume of suitable direct property investment opportunities. For ease of comparison, the previous asset allocation and investment ranges for the Fund are also provided.

| Asset class | New investment range Minimum % | Maximum % | Previous investment range Minimum % | Maximum % |
|---|---|---|---|---|
| Direct property | 50 | 100 | 25 | 100 |
| Listed property securities | 0 | 50 | 0 | 50 |
| Cash | 0 | 50 | 0 | 30 |

While the table above shows the anticipated long-term investment ranges for the Fund, it is not expected that an allocation to listed property securities will be made until the Transition Period has been completed.

### Use of debt

To improve the Fund's ongoing capital structure and liquidity management, one of the fundamental investment changes will be the introduction of debt as part of the Fund's overarching capital management strategy.

While a prudent approach to capital management will be maintained in order to retain the risk profile of the Fund, we have sought to address the liquidity issues experienced during and post the GFC by adapting the Fund's mix of capital components to incorporate gearing. We believe this step is necessary to better match investor needs for liquidity against the longer-term nature of direct property investments.

Our primary aim is to determine the optimum mix of debt and equity that maximises the value of the Fund while also allowing us to meet investor liquidity needs.

Under the new structure, the Fund may use gearing (borrowing against the Fund's assets) to meet its liquidity needs (such as funding withdrawals) or to acquire assets. We will aim to keep the gearing level to a target range of 0%-15%, but may range from 0%-25%, of the Fund's gross assets at the time of borrowing.

As noted above, debt will not be drawn down until after 31 May 2012 and until we believe we are in a position to pay the withdrawal requests received on or before 31 May 2012. This will depend on the progress of the sales programme and the number of withdrawal requests we receive. This means that the risks of gearing will apply from when we decide to draw down on the debt facility, which will be, if needed, a short period before we pay the withdrawal requests received on or before the 31 May 2012, and from then on.

Gearing has the effect of magnifying the Fund's returns, both positive and negative, which means that the risk of loss of capital may be greater than if gearing did not take place. See the 'What are the risks' section below for further information on risks associated with debt. The introduction of gearing also brings with it additional costs, such as the interest that is paid on outstanding debts and the costs of having the debt facility available. These additional costs and increases in interest rates may reduce the Fund's returns. See the 'Fees and expenses' section for further information.

### Distributions

There will be no change to the distribution policy of the Fund – quarterly distributions will continue under the new proposal.

You should be aware that although the Fund's objective is to pay distributions quarterly, the amount of each distribution may vary or no distribution may be payable in a quarter.

As with fees and other expenses, the changes to WAPF's product design and investment strategy may impact future income distribution yields, which may decrease slightly in the short term under the new proposal. The main factors contributing to this are:

- **Gearing:** The spread between the interest payable on any borrowings and the earning rate on Fund assets may increase or decrease income available for distributions. Moreover, if the yield on Fund assets exceeds the borrowing cost, distributions will increase. On the other hand, if the yield on Fund assets is less than borrowing costs, distributions will decrease
- **Higher fees and Fund expenses:** Increased Fund expenses (outlined above) will dilute overall available distributable income
- **Altered direct property portfolio profile:** As noted above, we have targeted properties for sale during the Transition Period and the sale of these properties will impact the average portfolio yield
- **Asset allocation:** The strategic asset allocation of the Fund will change and this will impact yields.

### Unit pricing

The Fund's current valuations policy is to revalue the direct property portfolio semi-annually. From 30 June 2012, all properties will be valued on a quarterly basis instead. This change will incur additional costs.

## What are the risks?

Your appetite for risk or the level of risk you are willing to accept is an important consideration in any investment decision. Before you think about whether the changes to WAPF suit you and are aligned to your financial goals, it's important that you understand the risks associated with your investment, particularly the risks introduced as a result of changes to the Fund's design and investment strategy, which aim to improve the overall liquidity of the Fund.

The principal risks that apply to the Fund are:

- **Risk of wind up:** There are a number of circumstances that may result in the Fund being wound up. These include:
  - if withdrawal requests for more than 50% of units on issue as at 31 January 2012 were to be lodged, or if we form the view that withdrawals will reach this level
  - the property sales programme cannot be completed within the target timeframe
  - the Fund is declared illiquid under the Corporations Act either during the Transition Period or thereafter whether due to a deterioration in market conditions, withdrawal requests exceeding available liquidity, a change in the Corporations Act definition of a liquid fund or other reason
  - we form the view that wind up is in the best interests of investors.

In the event that a decision is made to wind up the Fund, all unprocessed withdrawal requests lodged will be cancelled, the Fund's properties will be put on the market and each investor will be returned their share of the sales proceeds (less costs, expenses and fees). Payments will be made over a period of time (probably two to four years) as sales are completed. All investors including those who wished to remain invested will have their capital returned in this case. This risk is greatest during the Transition Period, but even after the Transition Period it may be the case that the Responsible Entity forms the view that it is in the best interests of investors to terminate the Fund.

- **Risks associated with debt:** The introduction of debt into the Fund's portfolio brings with it new risks. Namely:
  - financing risk, which involves the Fund's ability to secure or refinance a debt facility and to negotiate agreeable terms upon which it is made available, and
  - interest rate risk, which relates to the risk of loss of capital value from interest rate rises.

  Another significant risk associated with debt is that gearing magnifies both gains and losses from the Fund's investments. Investors in funds that are geared will generally face larger fluctuations in the value of their investments compared with an ungeared portfolio. Investors may therefore experience increased volatility in the value of their investment after gearing is introduced.

  Any debt facility may be unsecured, or it may be secured by way of a charge over the assets of the Fund in favour of the loan provider.
  - If the loan facility were secured, a charge would give the loan provider certain rights including the power to take possession of or sell assets of the Fund following the occurrence of an event of default by the Fund.
  - Events of default may include failure by the Fund to make payments when due, insolvency of NMFM or the Fund, or a breach of a representation or warranty made by us.
  - There is a risk that if an event of default occurs, a loan provider could exercise its rights in respect of the assets of the Fund. Any amounts owing to a loan provider rank before investors' interests in the Fund.
  - As we intend to use the Fund's loan facility partially to fund withdrawal requests, an inability to obtain or refinance the facility may adversely impact on our ability to pay withdrawal requests, including when we move to monthly withdrawal processing.
- **Liquidity risk:** Liquidity refers to the ease with which an asset can be bought and sold in the market place at its current value. Direct property assets are inherently less liquid than other assets such as listed securities, they may also be difficult to sell, and their value may not be fully recoverable in the event of a sale. A drop in the liquidity level of the Fund increases the risk that the amount of cash available to the Fund to meet withdrawal requests may be reduced. This could result in the non-payment of withdrawal amounts in the future and the Fund may once again be declared illiquid.
- **Property investment risk:** The returns from property investments may fluctuate from year to year, which means the stability of your capital investment in the Fund is not guaranteed. Property assets may require significant time to sell, which means that immediate access to your capital investment in the Fund is not guaranteed. The Fund's returns may be affected by factors such as the quality of underlying properties, geographic location, demand in the market place by investors for property, the demand by tenants for commercial space, rental income levels, the supply of new commercial space and capital expenditure requirements.
- **Regulatory change risk:** Changes to the Corporations Act definition of liquidity for managed investment schemes are currently being considered by the government. While the timing of these possible changes is not known at present, if the government decides to implement them it is likely that the Fund would cease to be considered 'liquid' under the Corporations Act, which would adversely impact our ability to offer monthly withdrawal processing. If a fund is considered illiquid, investors are not able to withdraw from the Fund unless and until the Responsible Entity chooses to make a withdrawal offer to investors. If the Fund were declared illiquid during the Transition Period (other than on a short-term basis) it is likely that we would move to wind it up.

As the risks outlined in this section do not take into account your personal circumstances, you should obtain professional advice to determine whether remaining in the Fund suits your investment objectives, financial situation and particular needs. These risks should be considered in the context of investment in a property trust generally and should be considered also together with all the other risks which have been outlined in previous product disclosure statements applicable to the offer of interests in the Fund.

**Important information**



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