

## RG 46 – Raiz Property Fund (17 July 2024)

This document has been prepared by Instreet Investment Limited (ABN 44 128 813 016; AFSL 434776) (**Responsible Entity**) as Responsible Entity of Raiz Property Fund (ARSN [659 208 152]) (**Fund**). It sets out key disclosures required by ASIC’s Regulatory Guide 46 – Unlisted Property Schemes: Improving Disclosure for Retail Investors (**RG46**). RG46 sets out eight disclosure principles and six benchmarks in relation to those principles to help retail investors compare risks and returns across investments in the unlisted property sector. This document is provided bi-annually and in addition to Half-Yearly investor updates. It is not mandatory to comply with each of the principles or benchmarks below provided that sufficient reasons are given.

Key risks covered by ASIC’s disclosure principles and benchmarks	Instreet’s Policy	What does this mean in practical terms and where can this information be found in your Fund Half-Yearly Update?
<p><b>Scheme Borrowings and Gearing (Disclosure Principles 1&amp;3 and Benchmark 1)</b></p> <p>The Principles and Benchmark relate to the extent to which the Fund’s assets are funded by interest bearing liabilities and providing disclosure in respect of what this means to investors.</p> <p>Gearing is the level of finance that is used to purchase properties or manage the capital expenditure within a fund. Gearing increases the exposure of unit-holders to movement in the value in the underlying properties in which a fund invests. It can magnify capital gains; however, it can also magnify capital losses. A highly geared fund will have a lower asset buffer to rely on in times of financial stress.</p> <p>The gearing ratio formula as set down by RG46 is:</p> $\text{Total interest bearing liabilities} / \text{total assets}$ <p>It is important to note that borrowings are generally secured by the property(ies) held by the fund and this will mean that repayment of these borrowings ranks ahead of investor’s interest in the Fund.</p> <p>Most facilities will also have conditions that enable the financier to call on the loan if unit holders exercise their</p>	<p><b>Instreet Complies with ASIC’s Benchmark 1</b></p> <p>Instreet has in place a policy in relation to the management of the gearing and interest cover for the Fund.</p> <p>Instreet's gearing policy requires the Fund's gearing to be set by management from the outset. The level of gearing will be determined by reference to factors including lender and investor appetite, finance pricing at various gearing levels and ensuring there is sufficient headroom for anticipated financial covenants (where applicable). Also taken into consideration are expectations of short-term funding requirements for building works, tenant incentives etc.</p> <p>Each financier will set what is known as a Loan to Valuation Ratio (<b>LVR</b>) or Gearing covenant. This covenant is the maximum percentage level of gearing the fund can hold relative to asset values under the financing facility. If this covenant is breached, the financier may exercise its rights under the facility agreement including the imposition of higher interest margins or forcing the sale of the property. It is for this reason that Instreet will seek to set gearing with headroom over the covenant.</p> <p>As the Fund is an open-ended scheme, a specific gearing target of 50% has been set beyond in addition</p>	<p>As at the date of this summary there are no credit facility agreements in place with respect to the Fund.</p> <p>Your Half-Yearly Fund Updates have a ‘Debt Summary’ section. Within this section we will keep you regularly apprised of the following information in respect of borrowings (if any):</p> <ul style="list-style-type: none"> <li>• Details of borrowing facilities including any undrawn amounts;</li> <li>• Detail of refinancing due dates and prospects of refinance; and</li> <li>• Debt covenants and debt covenant compliance.</li> </ul> <p><b>Fund Gearing Ratio</b></p> <p>Total Interest-Bearing Liabilities: \$0.00</p> <p>Total Assets \$0.00</p> <p>Gearing: 0%</p> <p>Based on the accounts as at 30 June 2024; calculated as total interest bearing liabilities over total assets in accordance with ASIC RG46 requirements.</p> <p>Fund Gearing (look through): 0%</p>

<p>rights to remove and replace the responsible entity of the fund.</p> <p>If a fund's borrowings are to mature within a short timeframe, it will need to refinance. There is a risk that refinancing will be on less favourable terms or not available at all.</p> <p>ASIC's Benchmark 1 is for Instreet to have in place a Gearing Policy that governs the gearing within a fund at the individual facility level.</p>	<p>to the requirement to seek headroom over the covenant at refinance.</p> <p>If financing / refinancing is sought to increase gearing within the Fund, this must be in the best interest of unit-holders and in accordance with the fund constitution and disclosure documents.</p> <p>Instreet monitors both the Gearing and Interest Cover Ratio (<b>ICR</b>) covenants for the Fund every three months for each credit facility agreement. During these meetings, management will take active steps to manage gearing and ICR within the debt covenants where possible. The measures available to manage gearing and ICR covenants will vary and are subject to commentary in Instreet's Half-Yearly investor updates.</p> <p>Where a covenant is breached Instreet will work in consultation with the financier to take appropriate steps to manage the breach and to do so in the best interests of unit holders.</p> <p>A summary of Instreet's Gearing and ICR Policy is available on the website.</p>	<p>Gearing is weighted by portfolio allocation as at 17 July 2024 in accordance with the Fund's gearing policy. The gearing calculation applies 'zero' gearing against investments in AREIT's and cash.</p> <p><b>Facility Interest Rate</b></p> <p>The total cost of interest bearing liabilities over the 12 months to 30 June 2024 was 0% calculated by total interest expense over the period divided by interest bearing liabilities as at 30 June 2024. This includes the cost of the bank margin, any fixed interest rate and any floating facility rate.</p> <p><b>Debt Covenant Sensitivities</b></p> <p>Under the terms of the debt facility the Fund is required to comply with certain loan covenants over the course of the financial year. As the Fund has no debt facilities, the Fund is compliant with all covenants including the Interest Cover Ratio (<b>ICR</b>) and Loan to Valuation Ratio (<b>LVR</b>).</p>
<p><b>Interest Cover Ratio and Interest Cover Policy (Disclosure Principle 2 and Benchmark 2)</b></p> <p>This Principle and Benchmark relates to how the Fund's cost of liabilities (interest cover) is maintained and providing disclosure in respect of what this means to investors.</p> <p>A geared fund will incur an interest expense that will increase with the size of the loan or interest rate margins applied by the financier. A higher geared fund will be more sensitive to interest rate moves.</p> <p>An Interest Cover Ratio (<b>ICR</b>) is a measure of a funds ability to meet its interest expenses from the earnings</p>	<p>Instreet complies with ASIC Benchmark 2</p> <p>Instreet has in place a policy in relation to the management of the gearing and interest cover for the Fund.</p> <p>Instreet's policy requires management to monitor and manage the interest cover at an individual credit facility level, using the latest audited financial statements (where available) or the reviewed accounts.</p> <p>As at the date of this summary there are no credit facility agreements in place with respect to the Fund. Having regard to the Fund's investment strategy, the Responsible Entity does not consider it appropriate to</p>	<p>As at the date of this summary there are no credit facility agreements in place with respect to the Fund.</p> <p>Your Half-yearly Fund Updates have a '<b>Debt Summary</b>' section. Within this section we will keep you regularly apprised of the following information in respect of borrowings (if any):</p> <ul style="list-style-type: none"> <li>• Details of borrowing facilities including any undrawn amounts;</li> <li>• Detail of refinancing due dates and prospects of refinance; and</li> <li>• Debt covenants and debt covenant compliance.</li> </ul>

<p>of the fund. The ICR is a key indicator of a Fund's financial health.</p> <p>The closer a fund is to an ICR of 1, the closer the funds cash flow is to meeting interest expenses only. If the ICR falls below 1, the fund earnings are insufficient to meet interest expenses.</p> <p>Each financier will set an ICR covenant. The covenant will set the minimum ICR that the fund must hold.</p> <p>The ICR formula as set down by RG46 is:</p> <p>EBITDA – unrealised gains + unrealised losses / interest expense</p> <p>ASIC's Benchmark 2 is for Instreet to have in place a Policy that governs the management of Interest Cover within a fund at the individual facility level.</p>	<p>maintain a minimum interest cover ratio for the following reasons:</p> <ul style="list-style-type: none"> <li>• As the Fund invests primarily in residential properties, the returns of which are mostly derived from capital gain rather than rental yield, the use of an interest coverage ratio is inappropriate and potentially misleading</li> <li>• Interest cover generally refers to typical commercial type assets, which are leased, and the resultant interest cover is from the rental income received from these assets.</li> <li>• There are no credit facility agreements currently in place with respect to the Fund.</li> <li>• While the Fund may take out a debt facility in the future, the RE intends to utilise the facility only in a liquidity event</li> </ul> <p>The Responsible Entity will reconsider the appropriateness of implementing a minimum interest cover ratio if and when the Fund enters into a credit facility agreement.</p> <p>See above for further detail on Instreet's Gearing and ICR Policy.</p> <p>A summary of Instreet's Gearing and ICR Policy is available on the website.</p>	
<p><b>Interest Capitalisation (Benchmark 3)</b></p> <p>Interest capitalisation means the fund is not required to make interest payments until an agreed point in time. Interest is therefore capitalised on the value of the fund's financing facility. This will increase the gearing in the fund.</p> <p>ASIC's Benchmark 3 states that the interest of the Fund should not capitalised.</p>	<p><b>Instreet complies with ASIC Benchmark 3</b></p> <p>Instreet does not capitalise interest in this Fund.</p>	<p>N/A</p>

<p><b>Portfolio Diversification (Disclosure Principle 4)</b></p> <p>Generally, the more diversified a portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.</p>	<p>The Fund aims to provide monthly tax effective income and the potential for long term capital growth by investing in a diversified portfolio consisting of residential properties located across Australia. The Fund intends to invest across a range of properties providing diversification by property, sector, geographic location and tenancy mix. The Fund has acquired interests in real property both directly and indirectly via investing in units in unlisted property schemes.</p>	<p>The Half-Yearly Fund Updates contain detail of the Fund's investments, and respective investment weighting of these investments. They also provide the underlying carrying value.</p>
<p><b>Valuations (Benchmark 4)</b></p> <p>Investing in a property scheme exposes investors to movements in the value of the scheme's assets. Investors therefore need information to assess the reliability of valuations.</p> <p>ASIC's Benchmark 4 addresses the way in which valuations are carried out on the Fund's assets. The benchmark requires Instreet to maintain and comply with a written valuation policy that requires:</p> <p>(a) <i>a valuer to:</i></p> <p>(i) <i>be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and</i></p> <p>(ii) <i>be independent;</i></p> <p>(b) <i>procedures to be followed for dealing with any conflicts of interest;</i></p> <p><i>1 rotation and diversity of valuers;</i></p>	<p><b>Instreet complies with ASIC Benchmark 4</b></p> <p>Instreet has implemented a Real Property Valuation Policy for the valuation of property assets held by each of its property funds that meets ASIC's Benchmark 4.</p> <p>Under Instreet's policy, all properties are independently valued prior to purchase. Instreet's Valuation Policy also requires investment properties to be independently valued at least once every 12 months. However, in practice, Independent Valuations are generally conducted every 6 months for the Fund and at any time that a formal valuation may be required by a financier (if applicable).</p> <p>Whilst annual valuations are conducted, a further external valuation will be conducted within two months of the directors determining that there is likely to be a material change in the value of the property (for this purpose a material change means an increase or decrease in valuation of more than 15%). All external valuers engaged to conduct an Independent Valuation must meet criteria in relation to qualifications, experience and independence as specified in the Valuation Policy.</p> <p>Instreet's policy requires adequate rotation of valuers such that no valuer may perform an Independent Valuation more than three times consecutively. A valuer must also have no conflicting interests.</p>	<p>Instreet has a Valuation Policy in place and has complied with the policy for the entire period since the last RG46 Statement was issued. Investors may contact Instreet for a copy of the full Valuation Policy.</p> <p>The Half-Yearly Fund Updates include a table setting out the latest carrying values of the Fund's investments.</p> <p>The Fund completed out of cycle property valuations for the direct properties to ensure they reflect current market conditions. All of the Fund's direct property assets were revalued in the 12 months before the 17 July 2024, by independent property valuers. The details were confirmed on the Fund's continuous disclosure website <a href="http://www.raizinvest.com.au">www.raizinvest.com.au</a>.</p>

<p>(d) valuations to be obtained in accordance with a set timetable; and</p> <p>1 for each property, an independent valuation to be obtained:</p> <p>(i) before the property is purchased:</p> <p>(A) for a development property, on an 'as is' and 'as if complete' basis; and</p> <p>(B) for all other property, on an 'as is' basis; and</p> <p>(ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.</p>	<p>Valuations are conducted on an 'as is' basis using the direct comparison approach. The direct comparison approach estimates the current fair market value of the property based on the most relevant/comparable sales in the area analysing the characteristics of each property in the area to make them comparable</p>	
<p><b>Related Party Transactions (Disclosure Principle 5 and Benchmark 5)</b></p> <p>This Principle and Benchmark relates to Instreet's Policy for related party transactions and how this is disclosed to investors.</p> <p>ASIC's Benchmark 5 requires Instreet to maintain and comply with a written policy on related party transactions, including the assessment and approval processes for such transaction and arrangement to manage conflicts of interest.</p> <p>A conflict of interest may arise where there is the potential for the interests of the Responsible Entity (and its related entities) and the interests of unit-holders to conflict.</p>	<p><b>Instreet meets ASIC Benchmark 5</b></p> <p>Instreet has a Group wide Conflicts of Interest Policy that governs the way in which conflicts of interest are managed. The primary examples of the conflicts of interest that applies to the Fund is the appointment of related parties to perform property management services and investments in Instreet's unlisted property fund.</p> <p>The conflict of interest policy requires these conflicts to be assessed and steps implemented by Instreet's compliance department to manage the conflict. The Board of the Responsible Entity must also approve any conflict of interest measures.</p> <p>Where a conflict arises, Instreet's conflict measures are to ensure that the appointment is in the best interest of members and on arm's length commercial terms.</p>	<p><b>Related Party Transactions</b></p> <p>The Fund invests in an unlisted property scheme managed by Superestate Pty Ltd, a wholly owned subsidiary of Raiz Invest Limited. This arrangement is subject to Instreet's Conflicts of Interest Policy.</p> <p>Details of any related party investments are noted in the Half-Yearly Fund Updates or on the Raiz Invest website.</p> <p>Raiz Invest Australia Limited, a wholly owned subsidiary of Raiz Invest Limited, has been appointed to offer various services for the direct assets held by the Fund including property and facilities management, leasing, development, and project management services. The appointment of Raiz Invest Australia Limited is conducted in line with Instreet's Conflicts of Interest Policy on arm's length commercial terms.</p> <p>\$11,311 fees were earned by Raiz Invest Australia Limited for this service for the 12 months ending 30</p>

		<p>June 2024. Raiz Invest Australia Limited is appointed in accordance with Instreet's Conflict of Interest Policy and Instreet regularly appraise any fees against other providers to ensure that the engagement remains on arm's length commercial terms.</p> <p>There have been no other related party transactions regarding the Fund level during the period.</p>
<p><b>Distribution Practices (Disclosure Principle 6 and Benchmark 6)</b></p> <p>ASIC's Benchmark 6 requires the Fund to only pay distributions from its cash from operations (excluding borrowings) available for distribution.</p> <p>Some property schemes make distributions partly or wholly from unrealised revaluation gains, capital, borrowings, or support facilities arranged by the responsible entity, rather than solely from cash from operations available for distribution. This may not be commercially sustainable over the longer term, particularly when property values are not increasing.</p>	<p><b>Instreet meets ASIC Benchmark 6</b></p> <p>The Fund intends distribute the available cash from operations.</p>	<p>Distributions paid (if any) will be included in the Half-Yearly Fund Updates under the '<b>Distribution</b>' table and on the Raiz Invest website.</p>
<p><b>Withdrawal arrangements (Disclosure Principle 7)</b></p> <p>This Disclosure Principle addresses disclosure of withdrawal arrangements within the Fund.</p> <p>Often property schemes will have limited or no withdrawal rights. This means that they are usually difficult to exit.</p>	<p>While the Fund is liquid, investors who invest via the Raiz App can request a withdrawal of all or part of their investment through the App or Website. Withdrawals are processed daily (NSW business days) and the withdrawal proceeds paid in cash within 5 Business Days. There are no fees or penalties for withdrawals. Withdrawal requests will be subject to rounding and market risk.</p> <p>To the extent the scheme is not liquid, withdrawals may only be made in accordance with the Corporations Act.</p>	<p>Raiz must at all times ensure Investors are not unfairly treated by any withdrawal facility offered. Raiz may therefore vary the terms and conditions of any withdrawal facility to ensure the fair and equal treatment of all Investors. Any suspension or variation of the withdrawal facility will be communicated to Investors on Raiz's website at <a href="http://www.raizinvest.com.au">www.raizinvest.com.au</a></p>
<p><b>Net Tangible Assets (Disclosure Principle 8)</b></p> <p>This Disclosure Principle addresses disclosure of the net tangible asset (NTA) backing per unit of the Fund.</p>	<p>Instreet has implemented written procedures that governs the timing and calculation of Net Tangible Asset Backing per unit (referred to by Raiz as Net Asset Backing or NAB).</p>	<p>The current NAB of the Fund is detailed in the latest audited financial accounts, which is available on Raiz's website at <a href="http://www.raizinvest.com.au">www.raizinvest.com.au</a>.</p>

<p>The net tangible asset (NTA) backing of a scheme gives investors information about the value of the tangible or physical assets of the scheme. The initial and ongoing NTA backing may be affected by various factors, including fees and charges paid up-front for the purchase of properties, costs associated with capital raising, or fees paid to the responsible entity or other parties.</p>	<p>NAB calculations are updated after the completion of audited half year and full year financial statements.</p>	<p>The Fund's daily unit price and unit price history is also available through the Raiz App.</p>
<p><b>Continuous Disclosure (ASIC Regulatory Guide 198)</b></p> <p>The Fund is subject to the requirements of continuous disclosure whereby Instreet is required continually keep investors apprised of material information likely to affect the value of the Fund.</p>	<p>Instreet achieves compliance with the continuous disclosure requirements by the publishing and updating the following information of the Fund's webpage:</p> <ul style="list-style-type: none"> <li>• Continuous disclosure notes</li> <li>• Unit price history</li> <li>• Portfolio information</li> </ul>	<p>The Fund has a continuous disclosure page on the Fund's website.</p> <p><a href="http://www.raizinvest.com.au">www.raizinvest.com.au</a></p>