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REAL ESTATE PARTNERS

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ASA Diversified Property Fund
RG46 Disclosure Guide

Reporting date 30 June 2024
Issued on 31 October 2024

The Australian Securities & Investments Commission (ASIC) requires responsible entities of unlisted property schemes in which retail investors invest to provide a statement addressing six benchmarks and eight disclosure principles. These benchmarks and disclosure principles are contained in *ASIC Regulatory Guide 46: Unlisted property schemes – Improving disclosure for retail investors* (RG46). This document has been prepared by ASA Funds Management Limited (ASAFM) as the Responsible Entity of the ASA Diversified Property Fund, ARSN 106 724 038 (Fund) to update investors on the information relevant to the benchmark and disclosure principles. This document should be read in conjunction with the latest Annual Report for the Fund, available on our website asarep.com/dpf. Alternatively, you can call us on 1300 553 122 or+61 3 9909 9909 if calling from overseas for a free copy.

The financial information in this document is extracted from the Fund's accounting and property management records as at 30 June 2024 and is based on unaudited financial records unless stated otherwise.

The Fund's composition and diversity will change over time as assets are acquired or disposed, developed and tenancies are re-let.

The Responsible Entity of the Fund was acquired by ASA Real Estate Partners Pty Ltd on 28 June 2024. The reporting included here reflects this change where context requires.

Gearing ratio and policy

Disclosure Principle 1 – Gearing ratio

The gearing ratio of the Fund, calculated as total interest-bearing liabilities divided by total assets, was 49.11% as at 30 June 2024 (44.73% as at 31 December 2023) (based on the Fund's audited financial statements).

The gearing ratio shows the extent to which the Fund's total assets are funded by interest bearing liabilities and gives an indication of the potential risks investors face in terms of external liabilities that rank ahead of them.

Gearing magnifies the effect of gains and losses on an investment. A higher gearing ratio means greater magnification of gains and losses and generally greater volatility compared to a lower gearing ratio.

The only interest-bearing liability of the Fund is the borrowing facility. Please refer to the borrowings note in the Fund's audited financial statements and the details set out under the heading '*Disclosure Principle 3 – Scheme (Trust) Borrowings*'.

The gearing ratio above is calculated in accordance with the ASIC RG46 disclosure principles formula and is at a Fund level.

$$\textbf{Gearing ratio} = \frac{\textbf{Total interest-bearing liabilities}}{\textbf{Total assets}}$$

This calculation differs to the loan to valuation ratio (which is a measure of the amount of debt drawn under the borrowing facility as a proportion of the value of assets under the borrowing facility security arrangement), which is shown under the heading 'Fund borrowing'.

Benchmark 1 – Gearing policy

***Benchmark 1**: The Responsible Entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility (borrowing facility) level.*

The Fund meets this benchmark. ASAFM monitors and manages the Fund's borrowings at an individual borrowing facility level on an ongoing basis in accordance with its Gearing and Interest Cover Policy. The Gearing and Interest Cover Policy outlines record keeping, monitoring, and reporting requirements.

The Fund has a syndicated borrowing facility and has recently operated within a gearing ratio range between 40% and 50%. However, ASAFM is taking active steps to seek to reduce this to the target range of 35% to 45%.

The maximum gearing ratio for the Fund under the Gearing and Interest Cover Policy is 55%, and the Fund operates within the borrowing facility covenant limit which is also 55%. These parameters may change from time to time.

The Fund continues to comply with its Gearing and Interest Cover Policy. For more information or for a copy of the Gearing and Interest Cover Policy please contact us.

Interest cover ratio and policy

Disclosure Principle 2 – Interest cover

The Fund's interest cover ratio for the 12 months to 30 June 2024 was 1.81 times* based on the Fund's audited financial statements (1.96 times* for the 12 months to 31 December 2023).

Interest cover indicates the ability of the Fund to meet interest payments from earnings. It is an indicator of the Fund's financial health and is a key indicator to assessing the sustainability of, and risks associated with, the Fund's level of borrowing. For example, an interest cover ratio of two times, means that the level of earnings is twice that of interest costs on borrowings, meaning that there are surplus earnings after interest payments which can be used to pay distributions to investors.

An interest cover ratio of one times means Fund earnings are sufficient to pay interest on borrowings. Any distributions would need to be funded from investor capital or alternatively suspended.

Generally, the closer the Fund's interest cover ratio is to one, the higher is the risk of the Fund not being able to meet interest payments from earnings. To mitigate some of this risk, fund managers may hedge against rises in interest rates to protect the Fund from higher interest costs. In addition, asset management strategies that attract high quality tenants, longer lease terms and tenant diversity aims to ensure that the Fund's level of earnings remains stable and predictable.

The interest cover ratio above is calculated at a Fund level and in accordance with the ASIC RG46 disclosure principles formula:

$$\textbf{Interest cover ratio} = \frac{\textbf{EBITDA – unrealised gains + unrealised losses}}{\textbf{Interest expense}}$$

In the audited financial statements EBITDA is equivalent to 'Profit before finance costs attributable to unitholders' adding back borrowing costs and amortisation. Unrealised gains/losses include property revaluations, straight-lining of rental income and unrealised gains/losses on derivatives and listed/unlisted property trusts. Interest expense is equivalent to 'Borrowing costs' less amortisation of debt establishment costs.

*The interest cover ratio relevant to the borrowing facility covenant is calculated differently from the ASIC RG46 formula and is shown under the heading 'Fund borrowing'.

Benchmark 2 – Interest cover policy

Benchmark 2: *The Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility (borrowing facility) level.*

The Fund meets this benchmark. ASAFM monitors and manages the Fund's interest cover at an individual borrowing facility level on an ongoing basis in accordance with its Gearing and Interest Cover Policy. The Gearing and Interest Cover Policy outlines record keeping, monitoring, and reporting requirements.

The minimum interest cover ratio for the Fund under the Gearing and Interest Cover Policy is 1.25 times (calculated as net property income divided by interest expense on borrowings) which is different to the minimum interest rate cover ratio covenant under the borrowing facility agreement, (which is 1.75 times).

The Fund continues to comply with its Gearing and Interest Cover Policy. For more information or for a copy of this Policy, please contact us.

Fund borrowing

Disclosure Principle 3 – Scheme (Fund) borrowings

The Fund borrows to finance new and existing assets, to develop, refurbish and maintain those assets, and to provide liquidity for operating purposes and managing working capital. Generally, interest costs relating to the borrowings will be met from the earnings of the Fund prior to the payment of distributions to investors.

The Fund's borrowing facility is secured by the Fund's direct property assets and is summarised in the table below:

Borrowing details as at 30 June 2024	
Borrowing facility drawn amount	$265 million
Borrowing facility undrawn amount	$35 million
Borrowing facility limit	$300 million
Borrowing facility maturity	
Tranche A: $100 million	12 May 2025
Tranche B: $100 million	12 May 2026
Tranche C: $100 million	12 May 2027
Borrowing facility Loan to Valuation Ratio covenant limit	55.00%
Fund Loan to Valuation Ratio calculated in accordance with borrowing facility definition	50.32%
Amount by which value of assets must decrease before a borrowing facility covenant is breached	8.51%
Borrowing facility Interest Cover Ratio covenant limit	1.75 times
Fund Interest Cover Ratio calculated in accordance with borrowing facility definition	2.03 times
Amount by which the operating cash flow must decrease before a borrowing facility covenant is breached	13.98%
Borrowing facility interest rate (inclusive of borrowing margin, line fees and interest rate hedges)	4.43% p.a.
% of borrowings hedged	67.9%
Weighted hedge expiry	0.93 years

The Fund is required to refinance Tranche A of its borrowings by 12 May 2025, Tranche B by 12 May 2026 and Tranche C by 12 May 2027. The Fund is compliant with the current lenders' covenant and facility limit requirements. We anticipate that the borrowing facility will be refinanced prior to maturity.

With most refinancing activity there is a risk that the lender may choose not to refinance the facility. If this occurs, the Fund would need to find an alternate lender, which may be more costly than the existing lender (on an ongoing basis, and due to the upfront costs of refinancing). In extreme situations if the Fund cannot find an alternate lender, the Fund may lose value from selling assets in poor market conditions to repay the borrowed amount.

Our approach is to actively manage the Fund's borrowings in conjunction with the lender(s) to manage this risk. To the best of ASAFM's knowledge, there have been no breaches of loan covenants as at the date of this document.

All amounts owed to lenders and to other creditors will rank before each investor's interest in the Fund. The Fund's ability to pay interest, repay or refinance the amount owed upon maturity; and its ability to meet all loan covenants under its borrowing facility is material to its performance and ongoing viability.

Under the terms within the borrowing facility, provided the Fund obtains prior written consent of the lender(s), there are no terms that may be invoked as a result of investors exercising their rights under the Fund's Constitution. If such consent is not obtained, consequences may follow including possible cancellation of the borrowing facility and early repayments of amounts owing under the borrowing facility.

ASAFM maintains a hedging policy that governs the level of hedging for the Fund and controls the risks associated with the use of derivatives. All hedging strategies implemented are also subject to formal approval by a Managing Partner.

ASAFM monitors and manages the Fund's hedging position on a mark-to-market basis. Hedging is a very complex area and is generally done to fix some or all of the interest rate relating to the borrowing facility. Whilst hedging is put in place to reduce the volatility of earnings and, therefore distributions, hedging generally has the effect of increasing the volatility of the Fund's unit price given that the pricing of the underlying interest rate derivatives changes daily.

Interest capitalisation

Benchmark 3 – Interest capitalisation

Benchmark 3*: The interest expense of the Fund is not capitalised.*

The Fund does not meet this benchmark. The Fund may capitalise interest on borrowings where development works are being undertaken.

In such cases, interest is capitalised against the relevant development property's book value.

There are risks associated with capitalising interest. Upon completion of a development, there is a risk that the book value may exceed the property's independent valuation due to the capitalisation of interest. If this occurs, the value of your investment may be negatively impacted. In addition, if there isn't sufficient headroom in the debt facility to finance capitalised interest then the Fund may not be able to continue to meet its debt facility covenants.

We aim to mitigate this by estimating the amount of interest to be capitalised for any particular project which is generally incorporated into the assessment of feasibility of that project.

Repayment obligations

The Fund does not currently capitalise interest in respect of its debt facility, however if interest were to be capitalised, the RE would formulate a strategy to ensure that the capitalised interest could be repaid in accordance with the terms of the debt facility.

Portfolio diversification

Disclosure Principle 4 – Portfolio diversification

The Fund predominantly comprises Australian commercial assets including directly owned properties (such as offices, shopping centres and industrial properties), listed and unlisted property trusts. Unlisted property trusts and listed Australian REITs may be used to achieve the target level of exposure to suitable properties and to enhance geographic and sector diversification. Listed Australian REITs may also be used in conjunction with cash to support ongoing liquidity and cash flow management.

The Fund typically holds 70-100% of its assets in direct property and may hold up to 20% of its direct property exposure through unlisted property investments. The current assets held by the Fund conform to the Fund's investment strategy.

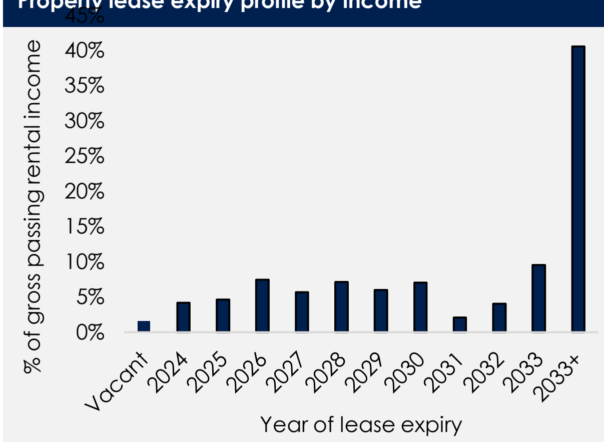
Key portfolio statistics

(as at 30 June 2024)

Geographic allocation (by value)

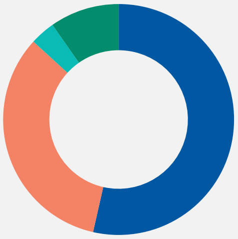
NSW	3 assets	43.0%
WA	3 assets	30.3%
VIC	1 asset	26.8%

Property lease expiry profile by income



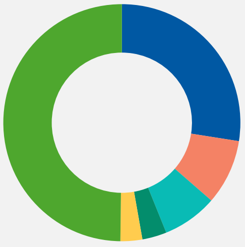
Property sector allocation (by value)

Retail	3 assets	53.5%
Convenience	2 assets	33.2%
Industrial	1 asset	3.5%
Business Park	1 asset	9.7%



Top 5 tenants (by income)

Ampol	27.5%
Coles	8.9%
Woolworths	7.5%
Boeing	3.3%
Aldi Foods	3.0%
Others (including vacancy)	49.8%



Fund investment portfolio details as at 30 June 2024

The information below provides details on the current diversification of the Fund.

Property Details			Tenancy Details				Valuation Details			
Address	Note	Lettable Area (sqm)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)	Current Valuation ($m)	Valuation Date	Capitalisation Rate (%)	Book Value ($m)
Industrial										
6-8 Geddes Street, Balcatta, WA	-	9,992	IGA Distribution	2	100.0	2.4	18.65	Dec-23	6.00	18.73
Sub total				2			18.65			**18.73**
Retail										
Blackburn Square Shopping Centre, VIC	-	17,577	Coles & Woolworths	61	97.8	8.8	140.00	Nov-23	5.50	141.85
Busselton Central Shopping Centre, WA	-	13,323	Coles	35	96.2	6.4	86.00	Nov-23	6.00	86.81
Dog Swamp Shopping Centre, WA	-	8,076	Woolworths	34	97.0	6.0	54.50	Jan-24	6.13	54.79
Sub total				130			280.50			**283.45**
Convenience										
Wyong Service Centres, Wyong, NSW	-	4,286	Ampol	2	100.0	20.0	176.00	Jun-24	5.50	176.00
Sub total				2			176.00			**176.00**
Office										
1 and 2 Technology Place, Williamtown, NSW	-	7,557	Boeing	21	100.0	3.0	51.50	Feb-24	7.38	51.54
Sub total				21			51.50			**51.54**
Other										
Cash and other assets										9.27
Total Cash and other assets										**9.27**
Total (T) / Weighted Average				**155 (T)**	**98.37 (A)**	**10.2 (A)**	**526.65**		**5.85 (A)**	**538.99 (T)**

Notes

1. Valuation Policy - Regular valuation of underlying property assets is an important aspect of managing the Fund. Valuations are conducted by qualified independent valuers in accordance with industry standards. We also have a policy of generally obtaining independent valuations on Fund direct properties each year and, for assets under development, within an 18-month period. Additionally, as part of our active management approach, we may test asset values on market. At times we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained.
2. Weighted Average Lease Expiry (WALE) by gross rental income. Vacancies are valued at market income. Assets under development excluded.
3. A market capitalisation rate is the rate, expressed as a percentage, that reflects the likely yield a property will generate over the medium term. It has regard to a property's unique characteristics and is a measure of the property's risk/return profile with higher rates reflecting higher risk and its function is to convert a property's income into value. The market capitalisation rate is assessed by the independent valuer by dividing the stabilised net property income of the property or a portfolio of properties by the assessed valuation of the property or portfolio, excluding costs of acquisitions and fees.
4. As announced on 11 September (and available on the website), an Independent Valuation of Busselton was completed and resulted in a revised figure of $77.0 million (a decrease of approximately $9.95 million). The change was largely driven by lower income than anticipated in the development feasibility, and a 0.25% expansion of the cap rate to 6.25%. ASA has implemented multiple management changes to address the under-performance and capture value including the introduction of a new specialist retail leasing expert in WA.

Property development

The Fund seeks to enhance its existing properties through selective exposure to property development to improve the rental returns and capital value from the developed property. Property development means the construction of a new building, significant increases to the lettable area of a building or significant changes to the nature or use of the property. In managing the Fund's property portfolio, we may refurbish or redevelop properties from time to time as required. Material property developments will only be undertaken where, in our view, substantial pre-commitments to lease are in place and development risk is appropriately mitigated.

Valuation policy

Benchmark 4 – Valuation policy

Benchmark 4*: The Responsible Entity maintains and complies with a written valuation policy that requires:*

- *A valuer to:*
  - *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*
  - *be independent.*
- *Procedures to be followed for dealing with any conflicts of interest;*
- *Rotation and diversity of valuers;*
- *Valuations to be obtained in accordance with a set timetable; and*
- *For each property, an independent valuation to be obtained:*
  - *before the property is purchased:*
    - *for a development property, on an 'as is' and 'as if complete' basis; and*
    - *for all other property, on an 'as is' basis; and*
  - *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.*

The Fund meets this benchmark and complies with ASAFM's Valuation Policy. For further information or to obtain a copy of the Valuation Policy please contact us.

Regular valuation of underlying property assets is an important aspect of managing the Fund in the best interests of investors.

In addition to the above requirements, the Valuation Policy also requires that:

- independent external valuations for existing properties must generally be conducted once every 18 months if the property is in construction phase and otherwise, at least once in a financial year unless exceptional circumstances exist; and
- where a property has been contracted for sale, the contracted sale price may be adopted instead of the independent external valuation.

Additionally, as part of our active management approach, we may test asset values on market. At times, we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained.

Related party transactions

Benchmark 5 and Disclosure Principle 5 – Related party transactions

Benchmark 5*: The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.*

The Fund meets this benchmark and complies with its Conflicts of Interest Policy and Related Party Transactions Policy.

Related party transactions carry a risk that they could be assessed, reviewed and enforced less rigorously than transactions with other non-related parties.

We maintain and comply with a written Conflicts of Interest Policy and Related Party Transactions Policy to manage the risk of any actual or perceived conflict of interest consequently of a related party transaction. Related party transactions with the ASA Group entities are reviewed, approved, and monitored by senior management with clearly identified governance policies and protocols. If considered necessary, the matter will be referred to the ASAFM's Board and steps will be taken to ensure that the conflict is managed in an appropriate manner. Decisions in relation to conflicts of interest and related party transactions are documented. As appropriate, we provide ongoing updates of material service engagements and financial benefits that are paid to related parties through the Fund's Continuous Disclosure Notices. The value of related party payments is reported yearly as part of the Fund's Annual Report.

For more information about the Conflicts of Interest and Related Party Transactions Policy please visit our website. The latest Fund Update and Annual Report is on our website asarep.com/dpf. Alternatively, a free paper copy is available by calling us.

Related party activity

ASAFM has appointed ASA Operations 2 Pty Ltd ACN 675 795 356 (ASA Operations) (a related party) to provide some property management services to the Fund.

ASAFM has also appointed ASA Operations to provide compliance, accounting and other general corporate services to the Fund which is subject to annual review.

ASA Operations is a wholly owned subsidiary of ASA Real Estate Partners Pty Ltd and is a member of the ASA Group. The arrangements with ASA Operations adhere to the Conflicts of Interest and Related Party Transactions Policy.

ASA Operations

ASA Operations may, under a written arrangement, provide some of the following services to the Fund as nominated from time to time:

- strategic advice on property acquisitions and sales or arranging the sale or acquisition of property assets;
- management of premises;
- debt arranging, debt structure advice, debt facility negotiation and debt management;
- accounting services;
- compliance services;
- leasing services; and
- property and asset management services and project supervision.

The appointment of ASA Operations for these services is not exclusive and ASA Operations may engage external service providers to undertake these functions.

From 1 July 2023 to 30 June 2024, no amounts were paid to ASA Operations for services to the Fund, as the services arrangement with ASA Operations was put in place on 28 June 2024. However, in the financial year ended 30 June 2024, services to the value of $7.4m were provided by and paid to related parties of the Australian Unity Group (which were related parties of ASAFM at the time that the services were provided). The previous services arrangement between the Australian Unity Group and the Fund has now been terminated.

Investments

ASA and its subsidiaries (and other related parties) may invest in the Fund and the Fund may invest in related parties from time to time. Details of related party investments will be included in the Fund's Annual Report. Investor approval is not required as the transactions are made on commercial terms and conditions and on an arm's length basis.

As at 30 June 2024 the Fund does not hold any investments in related parties.

Basis of related party appointments and investment terms

Investor approval is not required for the arrangements between the related party entities described in this document. This is because they have been made on commercial terms and conditions and on an arm's length basis.

The related party arrangements described in this document adhere to the Conflicts of Interest and Related Party Transactions Policy.

Distribution practices

Benchmark 6 and Disclosure Principle 6 –Distribution practices

Benchmark 6*: The Scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.*

The Fund does not meet this benchmark.

The Fund aims to source, and currently sources, all distributions from funds from operations ('FFO'). However, it is permitted to fund distribution payments from other sources, such as capital, if we consider it to be in the interests of investors (for example if rental income is suddenly reduced unexpectedly) and where payment from that source is expected to be sustainable given the circumstances.

FFO is a key determinant for the Fund when calculating and deciding the level of distribution to pay. To reconcile net profit to FFO and distributions the Fund may make adjustments to net profit for changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation on incentives, rental straight-line adjustments and other unrealised one-off items.

A reconciliation of the net profit to FFO and distributions is set out in the table below~~.~~

Asset Class	Actual ($m)
Net profit	(1.93)
Realised (Gains) / Losses	2.63
Valuation changes	6.73
Interest rate derivative changes	2.48
Other (Merger costs)	3.25
Fund from operations	13.16
Distributions declared	13.44

Distributions declared for the 12 months to 30 June 2024 exceeded available FFO as a result of lower-than-expected net property income.

There are risks associated with paying distributions from sources other than FFO. Where the Fund makes distributions from capital, this will have the effect of reducing investor equity. Where this occurs and the Fund has borrowings, the reduction in investors' equity and net asset value per unit will have the effect of increasing the gearing ratio and gearing related risks. This practice may not be commercially sustainable over the longer term, particularly where asset values are not increasing . In particular, where the Fund is close to its gearing related covenants, the risk of breaching these covenants is increased.

Disclosure Principle 7 – Withdrawal rights

The Fund previously offered a quarterly capped withdrawal facility which allowed investors to apply to withdraw some or all of their investment in the Fund (**Capped Withdrawal Facility**). The Fund also previously offered a 'carry forward facility' under which investors were able, as part of their withdrawal request, to choose any unfulfilled withdrawal request to be automatically carried forward to the next Capped Withdrawal Facility and treated as a withdrawal request.

ASAFM has made a decision to suspend the Capped Withdrawal Facility (including the carry forward facility) until further notice. This means that investors do not currently have any rights to withdraw from the Fund.

ASAFM currently intends to recommence the Capped Withdrawal Facility at a later date, when it determines it appropriate to do so. However, there is no guarantee that this will occur at any particular time, or at all. Any decision by ASAFM to recommence the Capped Withdrawal Facility will take into account the Fund's gearing ratio (including whether it falls within the target range), and other considerations in the best interests of investors as a whole. In the event a decision to recommence the Capped Withdrawal Facility is made, ASAFM will provide notice to investors on the Fund's continuous disclosure notices page at www.asarep.com/dpf.

Investors who have submitted withdrawal requests as part of the previous Capped Withdrawal Facility to which the carry forward facility applies, will continue to participate in the carry forward facility once the Capped Withdrawal Facility is recommenced (subject to the terms of that carry forward facility).

As the Capped Withdrawal Facility has been suspended, there is not currently an opportunity to seek to partially or fully withdraw an investment in the Fund. Given this, you will not be able to access any capital invested in the Fund until ASAFM determines to recommence the Capped Withdrawal Facility. There is no certainty as to when this will occur. This means that if you invest in the Fund, you must be able to tolerate an illiquid investment in the Fund for an indefinite period, as there is no guarantee that you will be able to access proceeds (if any) from an investment in the Fund within a specific timeframe.

Net tangible assets

Disclosure Principle 8 – Net tangible assets

The Fund is an open-ended property scheme and as such this disclosure principle is not applicable. However, the current unit price for the Fund is available on our website asarep.com/dpf.

Contact us

W: www.asarep.com.au/dpf

T: 1300 553 122 or +61 3 9909 9909 if overseas

E: registry@registrydirect.com.au