

A Fund Manager's Perspective

Lessons from a global pandemic



12 Shelley St, Sydney NSW (50% DOF)

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Miriam Patterson

Fund Manager, Charter Hall



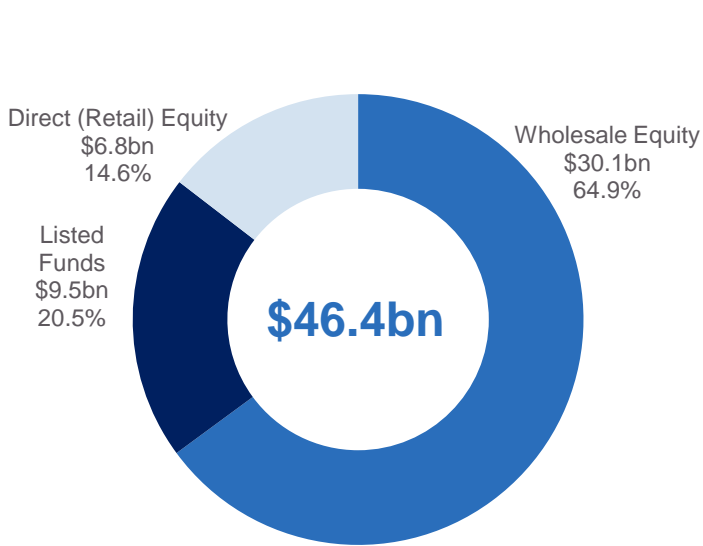
- +15 years' experience in property and infrastructure, and is a graduate of the Australian Institute of Company Directors and member of the Institute of Chartered Accountants Australia.
- Manages more than \$7 billion of Australian real estate on behalf of self managed super funds, high net worth and direct investors.
- Responsible for growing the institutional quality of investments available to investors.
- Driven by expertise, integrity and professionalism to realise outstanding outcomes.

Group Funds Management Portfolio

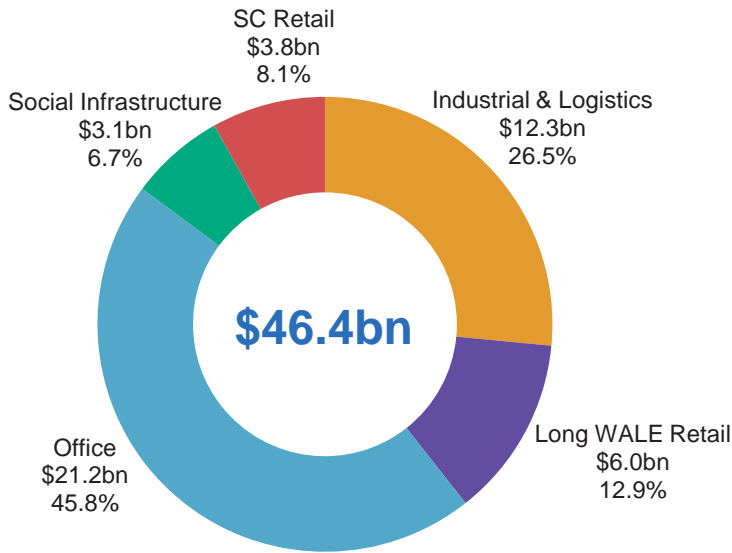
14.4% FUM growth over six months

	Portfolio value (\$bn)	Lettable area (m sqm)	No. of Properties	Net rent (\$m)	WALE (years)	Occupancy (%)	WACR (%)
31 December 2020	46.4	8.5	1,395	2,317	9.1	97.2	5.11
30 June 2020	40.5	7.9	1,104	2,167	8.6	97.5	5.27

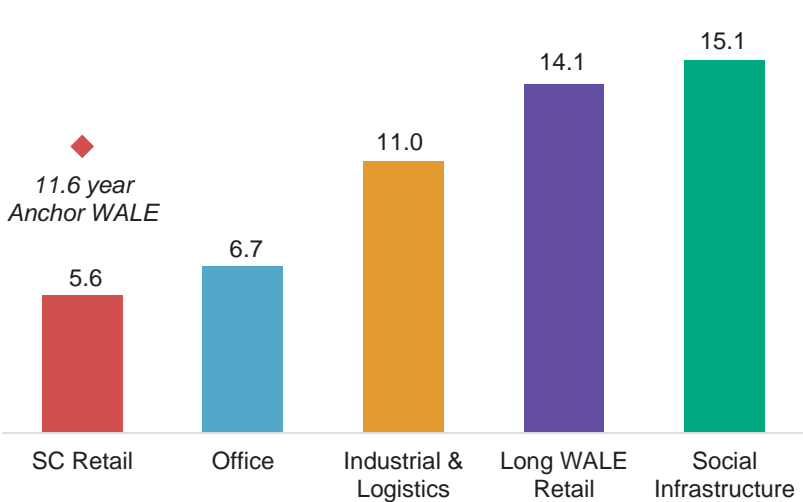
FUM by equity source



FUM by sector



WALE by sector



Funds Under Management Growth

FUM growth of 14.4% in 1H FY21, to \$46.4bn

Our strategy



Access

Accessing equity from listed, wholesale and retail investors



Manage

Funds management, asset management, leasing and development services



Deploy

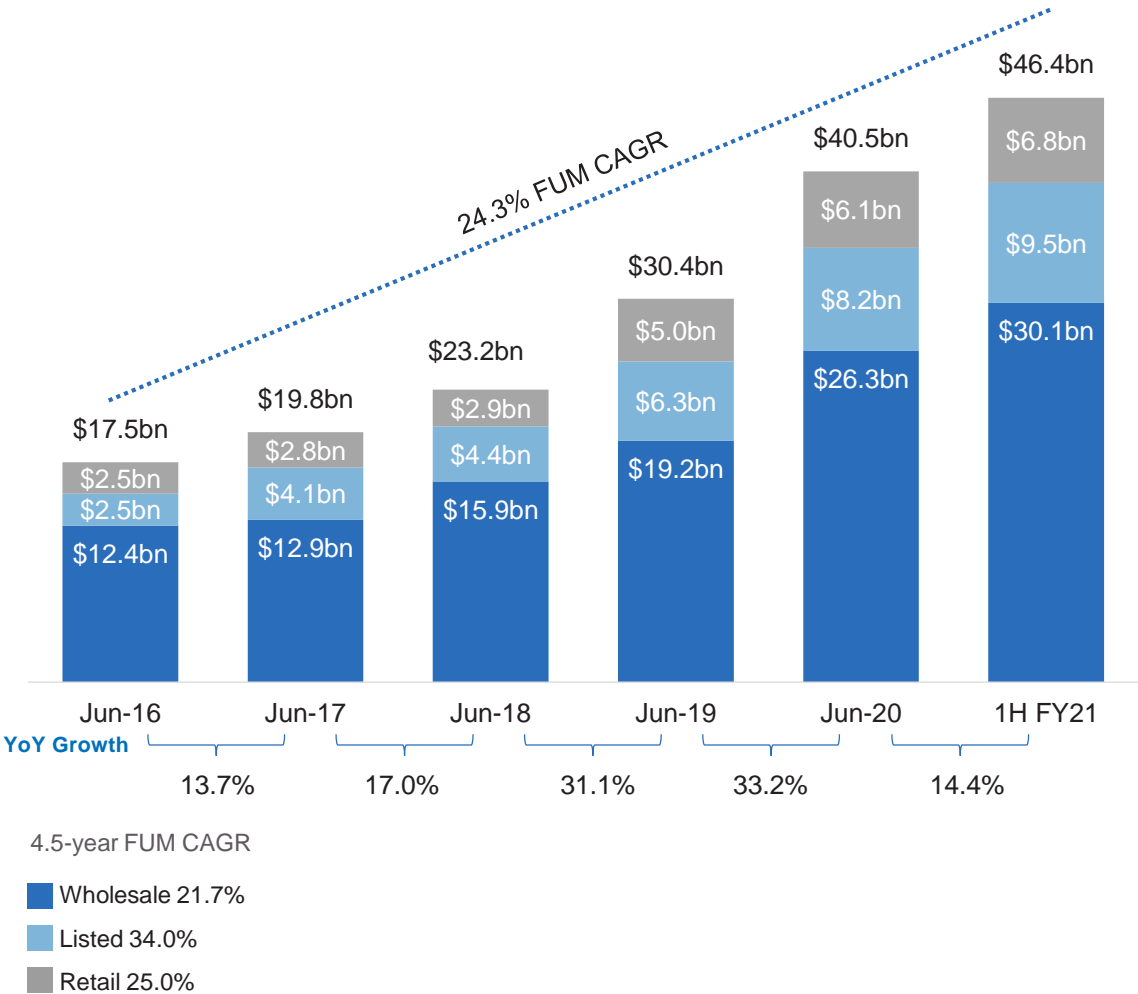
Creating value through attractive investment opportunities



Invest

Investing along side our capital partners

Funds under management by equity source (\$bn)



Tenant quality is key

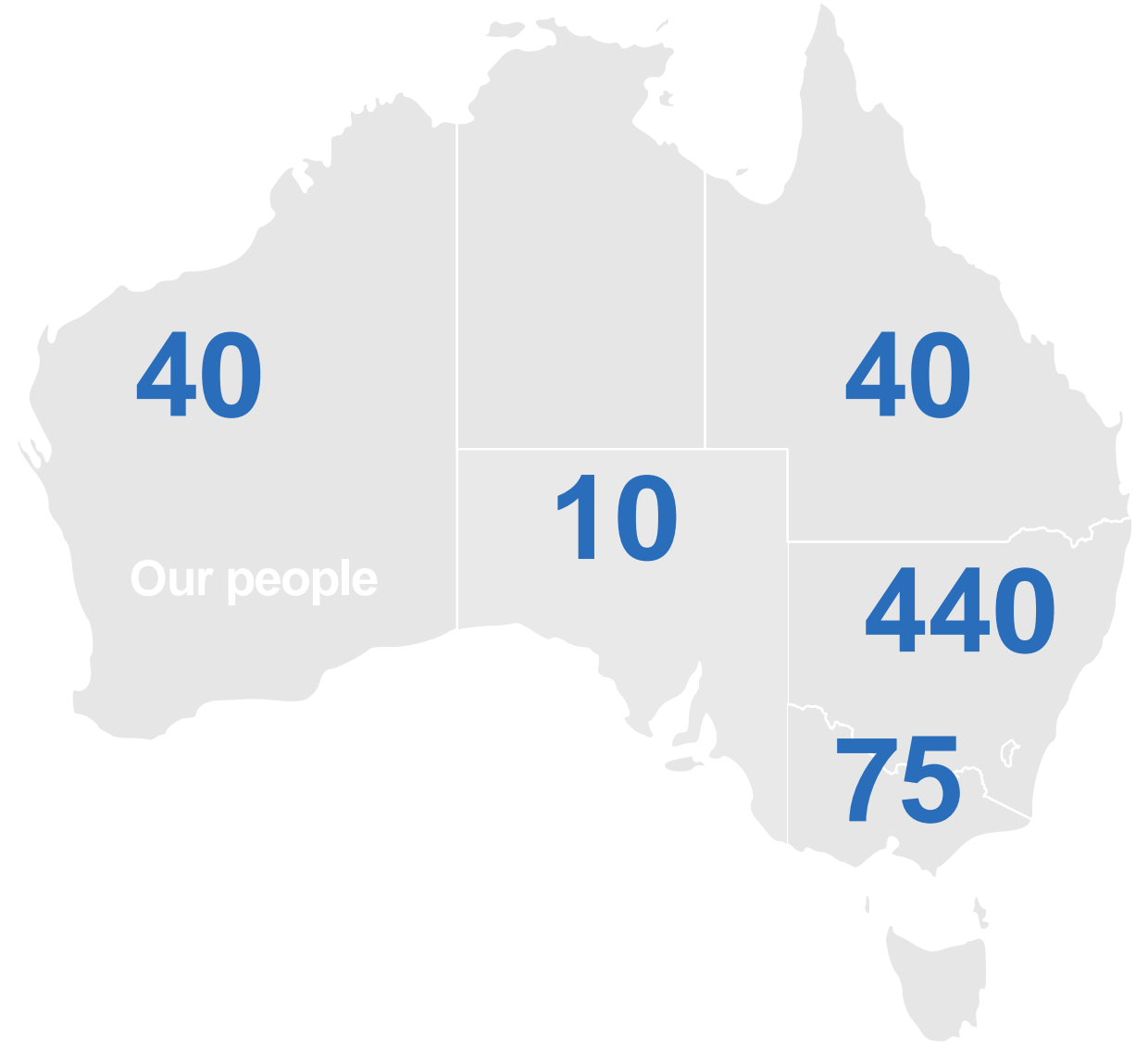
- Tenant code of conduct – who saw that coming?
- Investor distribution stability.
- Long term impacts on assets.
- Impacts debt pricing.



Bunnings, Claremont WA (LWF)

People on the ground are a big advantage

- Borders closing.
- It allowed us to capitalise on many opportunities.
- We extended leases AND helped tenants.
- We purchased assets with less competition.
- Real estate is relationships and the best relationships are built face to face!



Things from past crisis didn't play out the same this time

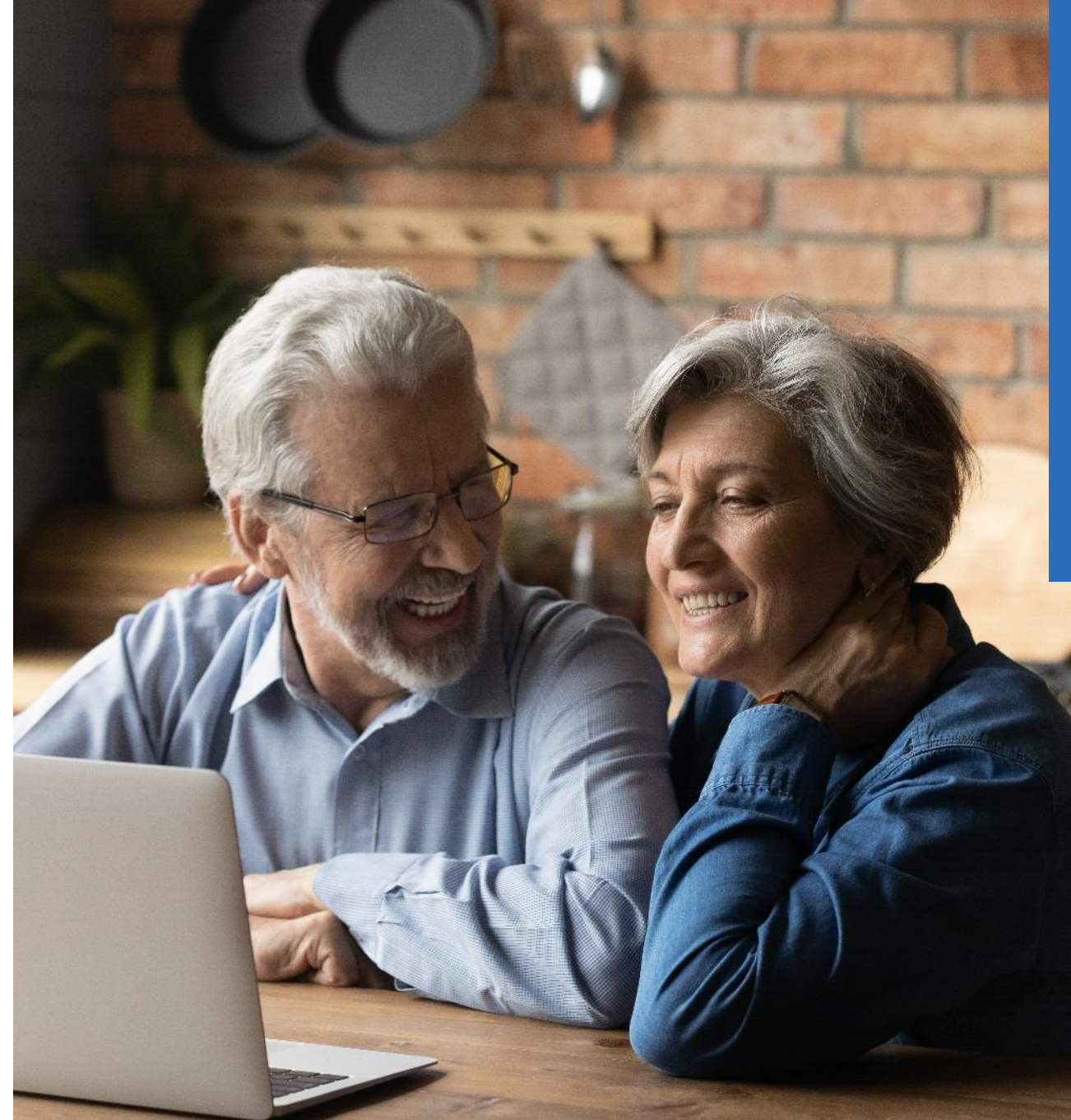
- Examples where we drew down debt but it wasn't required.
- Banks generally remained open.
- Valuations didn't decline materially for sectors outside of discretionary retail.
- Some valuations accelerated.
- Funds didn't get themselves into positions where they had to close down.



WSU, 169 Macquarie St Parramatta, Sydney (50% DOF)

Transparency and enhanced communication were important

- We implemented additional independent valuation frequency.
- We communicated more frequently with ALL key stakeholders.
- Stick to processes that have stood the test of time.
- Need to be action and communicate quickly with **tenants** on all things including
 - Tenancy code of conduct
 - Returning to the workplace.....safely



Expect the unexpected

Who would have thought that healthcare assets in a pandemic would have challenges with tenants paying rent?



Charter Hall's approach

to debt financing seeks to mitigate risk



Refinance Risk

- Extend debt facilities early and well before maturity
- Preference for longer debt maturities

Debt financing

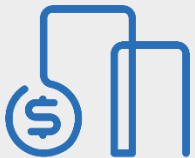
Concentration Risk

- Stagger debt maturities to mitigate funding risk
- Diversification of funding sources



Covenant Risk

- Build in appropriate buffers to financial covenants
- Regularly stress test the portfolio



Liquidity Risk

- Ensure commitments are fully funded
- Strong controls focus on both internal systems and processes



Case Study – Charter Hall Direct Office Fund (DOF)

DOF – Syndicated facility with offshore bank diversification

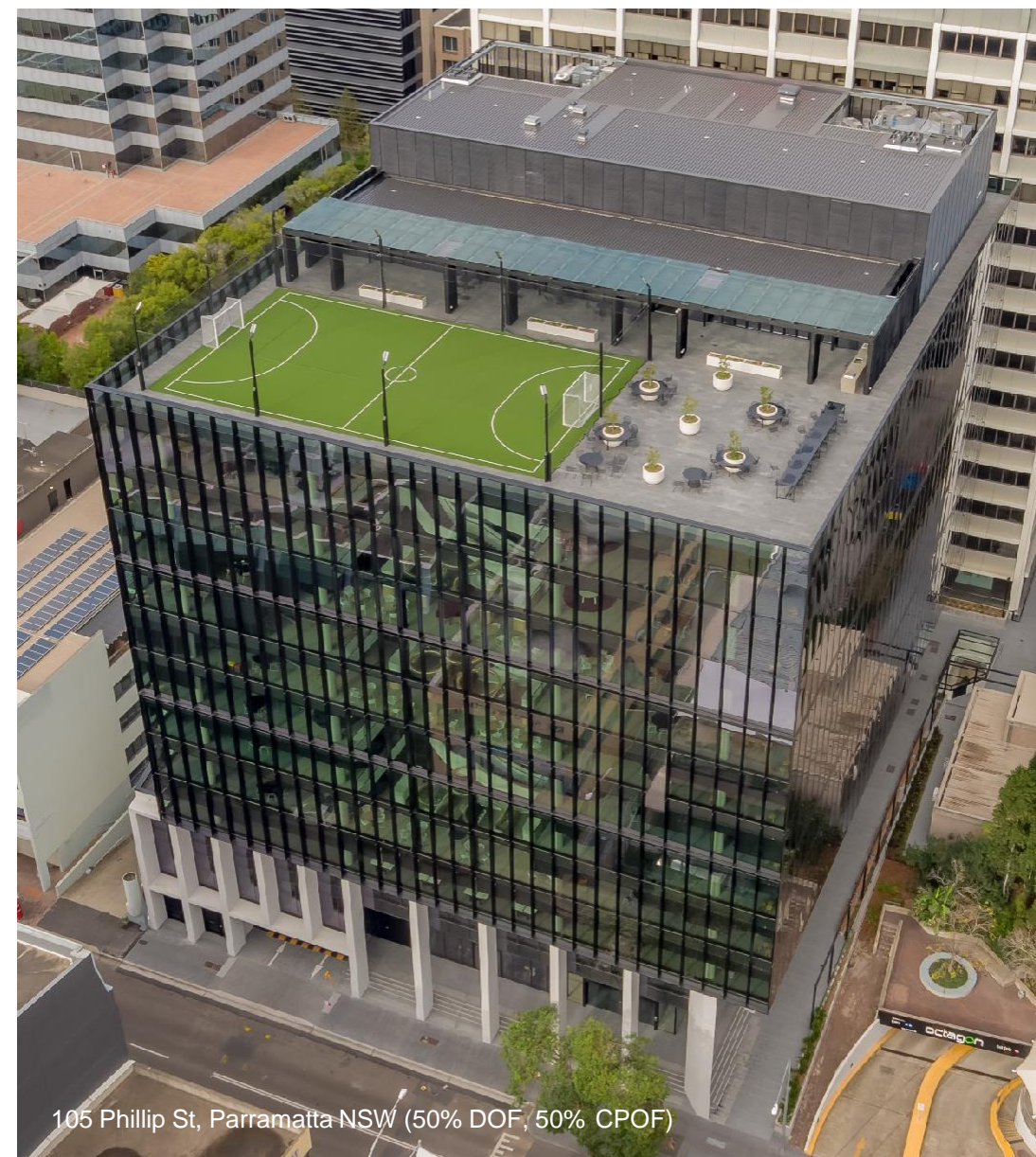
Transaction Highlights

- In March 2020, DOF completed an expansion of its syndicated facility from \$1,000m to \$1,150m and extended term to 4.6 year¹ weighted duration
- ING introduced as new lender which provided the additional debt capacity for the Fund
- The facility was refinanced with a 20bps reduction in pricing

Transaction Summary

Facility Limit	\$1,150m
Lender	CBA, ANZ, NAB and ING
Maturity	4.6 years ¹ (weighted)

1. At the time of refinancing.



105 Phillip St, Parramatta NSW (50% DOF, 50% CPOF)

Trends going forward

- Pandemic sped up trends already underway in logistics and discretionary retail.
- WFH – where will it ultimately land?
- Bunnings and healthcare are in demand.
- Less financial advisers in the market – what does it mean for capital raising?

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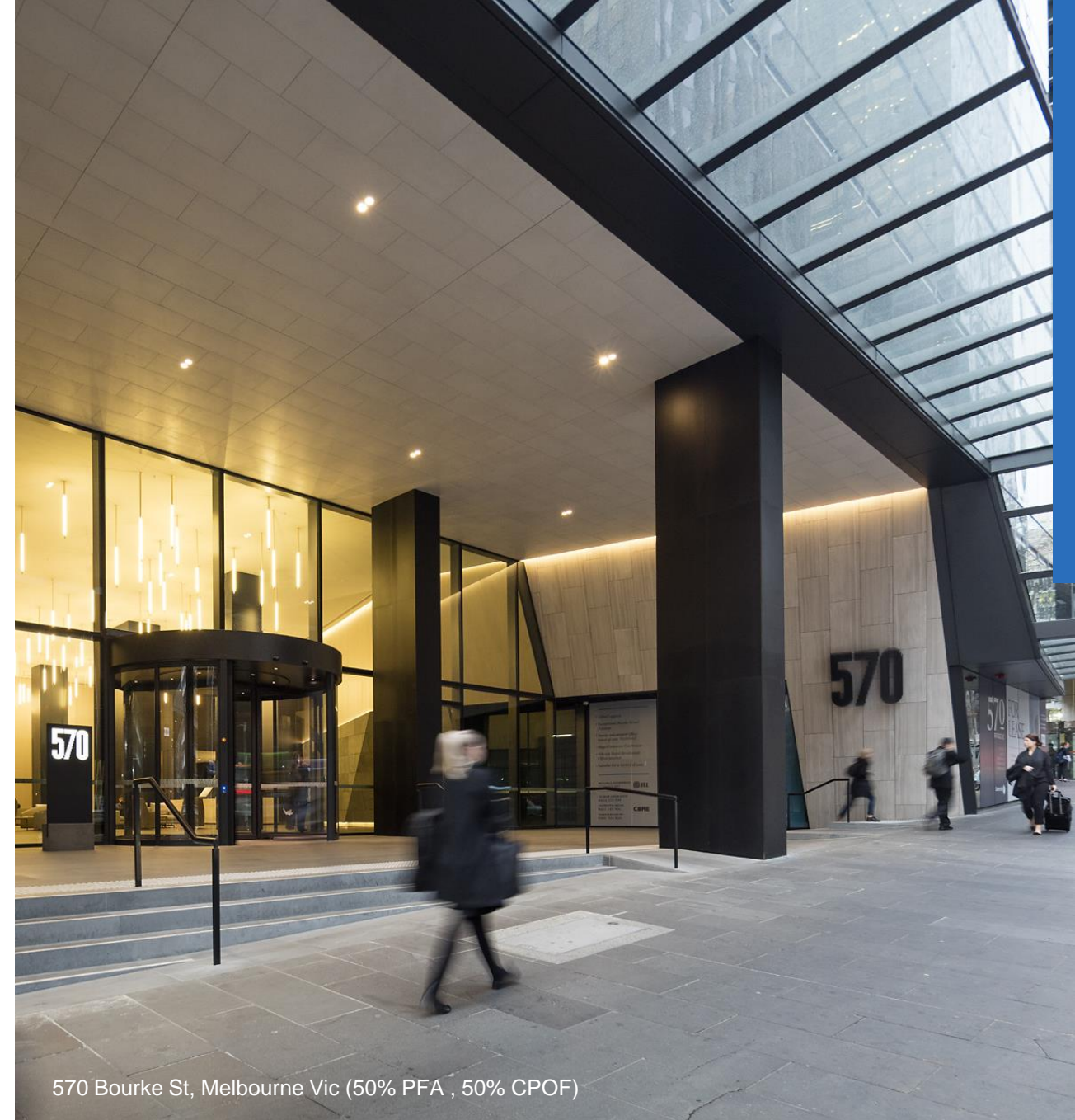
Our plan is to return to an office-centric culture as our baseline. We believe it enables us to invent, collaborate, and learn together most effectively.

Amazon, April 2021

Summary

Commercial property is generally in a good place.

- Many investors value certainty & stability of income.
- Banks were well behaved in the pandemic.
- Increased regulatory oversight is an ongoing feature – it is better to be conservative on this even if it costs you equity!
- A focus on tenants and investors needs to cut across everything you do.



570 Bourke St, Melbourne Vic (50% PFA , 50% CPOF)

