

CHARTER HALL DIRECT INDUSTRIAL FUND NO. 2

PRODUCT DISCLOSURE STATEMENT

APIR CODE MAQ0815AU

An unlisted property fund investing in prime Australian industrial properties



Important Information

PRODUCT DISCLOSURE STATEMENT

This product disclosure statement (PDS) relates to an offer to invest in Charter Hall Direct Industrial Fund No. 2 (ARSN 161 417 438) (Fund).

The Fund is a registered managed investment scheme under the Corporations Act. Applicants may submit an application to subscribe for Units at any time while this PDS is on issue.

This PDS is dated 17 December 2012. ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS.

This is an important document that needs your attention. You should read this PDS in full before deciding whether to invest in the Fund. If you are in doubt as to how to interpret or deal with this document, you should consider consulting your financial adviser, stockbroker or other professional advisers.

RESPONSIBLE ENTITY AND ISSUER OF THIS PDS

Charter Hall Direct Property Management Limited (ABN 56 073 623 784, AFSL 226849) in its capacity as responsible entity of the Fund (Responsible Entity) is the issuer of this PDS and the Units offered pursuant to this PDS.

MANAGER

The Responsible Entity has appointed Charter Hall Holdings Pty Ltd (ABN 15 051 363 547) to act as manager of the Fund (Manager).

CUSTODIAN AND CUSTODIAN DISCLAIMER

The Responsible Entity has appointed The Trust Company (Australia) Limited (ACN 000 000 993, AFSL 235145) as the custodian of the Fund (Custodian). The Custodian's role is limited to holding the assets of the Fund as agent of the Responsible Entity. The Custodian has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. The Custodian has no liability or responsibility to you for any act done or omission made in accordance with the terms of the Custodial Services Deed. The Custodian makes no statement in this PDS and has not authorised or caused the issue of it.

ELIGIBILITY

The offer made in this PDS is available only to those persons receiving this PDS (electronically or otherwise) within Australia. No action has been taken to register Units or otherwise permit a public offering of Units in any jurisdiction outside Australia.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of this PDS who are not in Australia should seek advice on and observe any such restrictions in relation to the distribution or possession of this PDS. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Other than as permitted by law, investments in the Fund will only be accepted on receipt of an Application Form.

COOLING OFF PERIOD

Direct Investors who are not classified as Wholesale Clients have a 14-day cooling off period.

MASTER TRUST OR WRAP ACCOUNTS

The Responsible Entity authorises the use of this PDS as disclosure to Indirect Investors who access the Fund through an IDPS or IDPS-like scheme (known commonly as a master trust or wrap account) or nominee or custody service and those investors may rely on this PDS.

People who invest in the Fund through a master trust or wrap account do not become Direct Investors. The operator or custodian of the master trust or wrap account (IDPS Operator) will be recorded as the Investor in the Investor register and will be the person who exercises the rights and receives the benefits as an Investor. Reports and documentation relating to the Fund will be sent to the IDPS Operator.

Investors using these services should be aware that they may be subject to different conditions from those set out in this PDS, particularly in relation to:

- ◆ arrangements for the application and transfer of Units;
- ◆ fees and expenses; and
- ◆ distribution calculation and timing.

Indirect Investors in master trusts or wrap accounts should contact their adviser or IDPS Operator with any queries relating to an investment in the Fund using these services.

SIGNIFICANT INVESTOR VISA

The Fund will be a 'complying investment' for the purposes of regulation 5.19B of the Migration Regulations 1994 (Cth).

NO INVESTMENT ADVICE

The information contained in this PDS is not financial product advice. The information contained in this PDS is general information only and does not take into account your investment objectives, financial situation and particular needs. It is therefore important that you read this PDS in full before deciding whether to invest in the Fund and take into consideration your investment objectives, financial situation and particular needs. If you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.

DISCLAIMER

An investment in units in the Fund is not an investment in, or a deposit with or other liability of, the Responsible Entity or any other member of Charter Hall Group and is subject to investment and other risks, including possible delay in repayment and loss of income and capital invested. None of the Responsible Entity, the Manager, Charter Hall Group, the Custodian or any of their respective directors, officers or associates gives any guarantee or assurance as to the performance of the Fund or the underlying assets of the Fund or the repayment of capital from the Fund or any particular rate of capital or income return from the Fund.

NO REPRESENTATIONS OTHER THAN CONTAINED IN THIS PDS

You should only rely on the information in this PDS when deciding whether to invest in the Fund. No person is authorised to give any information or to make any representation in connection with the Fund that is not contained in this PDS. Any information or representation not contained in this PDS may not be relied upon as having been authorised by the Responsible Entity in connection with the Fund.

ILLIQUID INVESTMENT

Applicants should understand that the Fund is an illiquid investment. As a result, a return of capital will only be possible where assets of the Fund are sold or an alternative liquidity strategy is implemented by the Responsible Entity.

INVESTMENT RISKS

You should read this PDS in full before deciding whether to invest in the Fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers. Each Applicant shall be considered to have read and understood section 5 of this PDS.

PDS AVAILABILITY

This PDS may be viewed online on the Fund's website at www.charterhall.com.au/dif2. If you access the electronic version of this PDS, you should ensure that you download and read this PDS in full.

A paper copy of this PDS is available free of charge to any person in Australia by calling Charter Hall Group on 1300 652 790.

UPDATED INFORMATION

Information in this PDS may change from time to time. Information that has changed in relation to the Fund that is not materially adverse but which the Responsible Entity wishes to provide to Investors, will be made available on the Fund's website at www.charterhall.com.au/dif2. A printed copy of any updated information will be available from the Responsible Entity free of charge upon request by calling Charter Hall Group on 1300 652 790. The Responsible Entity may issue a supplementary PDS to supplement any relevant information not contained in this PDS, in accordance with its obligations under the Corporations Act. Any supplementary PDS and updated information should be read together with this PDS. A copy of any supplementary PDS and other information regarding the Fund will be made available on the Fund's website and a printed copy will be available from the Responsible Entity free of charge upon request.

CONTINUOUS DISCLOSURE

In accordance with ASIC Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations', the Responsible Entity advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Investors may access material information regarding the Fund from the Fund's website at www.charterhall.com.au/dif2.

DATE OF INFORMATION

Unless otherwise specified, all financial and operational information contained in this PDS is stated as at the date of this PDS.

PICTURES OF PROPERTIES IN THIS PDS

The properties depicted in photographs in this PDS are not necessarily assets in which the Fund has a direct or indirect interest at the date of this PDS. Certain images in this PDS may be computer generated, or graphically enhanced, images of development properties which may or may not be assets of the Fund.

FORWARD LOOKING STATEMENTS

This PDS contains forward looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied in such forward looking statements. Past performance is not a reliable indicator of future performance.

DEFINED TERMS

Definitions of certain terms used in this PDS appear in the Glossary at section 11. References to currency are to Australian currency unless otherwise specified, and references to times are Sydney time unless otherwise specified. Unless otherwise specified, the occupancy levels and lease expiry profiles of Properties and the Fund are weighted and/or determined by their contribution to income.

Dear Investor,

Following the high level of investor interest and success in closing the first Charter Hall Direct Industrial Fund (DIF1), Charter Hall Direct Property Management Limited (Responsible Entity) is pleased to invite you to invest in Charter Hall Direct Industrial Fund No. 2 (Fund). Under the Offer, the Responsible Entity is seeking to raise a minimum of \$19 million (Minimum Offer Amount) as part of a total equity raise of \$120 million (Total Offer Amount) to acquire a \$200 million diversified portfolio of prime Australian industrial properties (Properties).

Charter Hall Group is one of Australia's leading fully integrated property groups, with more than 20 years of experience managing high-quality property on behalf of institutional, wholesale and retail clients. Charter Hall Group was established in 1991 and listed on the ASX in 2005 as a stapled entity under the code CHC. Charter Hall now has \$9.6 billion of funds under management across the office, retail, industrial and residential sectors with Australian offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Responsible Entity believes the outlook for established Australian industrial precincts is strong, with an outlook for further growth in the domestic economy and strong industrial property fundamentals. These key industrial markets have entered a phase with relatively moderate development pipelines, low vacancy, rental growth and property yields that are above historical averages compared to cash returns and bonds.

The Fund aims to provide Investors with sustainable and stable income and the potential for capital growth. To achieve this, the Responsible Entity is seeking to progressively acquire and manage a \$200 million diversified portfolio of prime industrial properties in established Australian industrial precincts with an emphasis on those positioned near major transport infrastructure. The Responsible Entity will acquire the properties for the Fund in accordance with clear investment criteria pertaining to property grade, location, tenant quality, occupancy and weighted average lease expiry (WALE).

Assuming the raising of the Minimum Offer Amount, the Responsible Entity is targeting average annualised distributions from the Fund to Investors holding Ordinary Units of 8.0 cents per Unit for the initial two years of the Fund's term. The Responsible Entity aims to grow the rental income of the Fund by targeting prime industrial properties with long-dated leases to investment-grade tenants, fixed rental increases and minimal ongoing capital expenditure requirements.

The Fund will have an initial seven-year term comprising the Investment Period followed by the Asset Management Period which will conclude on or about 31 December 2019. Prior to the conclusion of the initial seven-year term, on or about 30 June 2019, the Responsible Entity will provide Investors the opportunity to realise their investment. If, at this time, the Responsible Entity receives withdrawal requests from Investors in respect of more than 50% of the Units (excluding Acquisition Units) on issue, the Fund will be wound up with the Responsible Entity completing an orderly sale of the Properties or procuring the sale of all Units. Alternatively, if the Responsible Entity does not receive withdrawal requests from Investors in respect of more than 50% of the Units (excluding Acquisition Units) on issue, the term of the Fund may then be extended for a further period of up to three years (Extension Period). In that case, the Responsible Entity will implement a liquidity strategy and use its best endeavours to fund the withdrawal requests received from Investors.

The initial property portfolio will consist of two prime industrial assets, being the Australia Post Distribution Centre and a 25% interest in the Coles Distribution Centre. The Fund's proportional interest in the gross value of the initial property portfolio is valued at approximately \$55.3 million and benefits from full occupancy, fixed annual rental increases and a WALE in excess of 15 years.

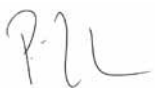
On completion, the Australia Post Distribution Centre will be a brand new, high-quality prime-grade industrial facility located at 15-21 Enterprise Drive, Rowville, a well-located precinct south-east of the Melbourne CBD. The Property is currently being developed for Australian Postal Corporation's stamp manufacturing and distribution business, Sprintpak. Australian Postal Corporation has signed an agreement for lease over the entire Property. Under the terms of this agreement for lease, the tenant will enter into a lease for an initial term of 15 years from practical completion with annual rental increases of 3.25%. Practical completion is scheduled for April 2013.

The Coles Distribution Centre is a state of the art distribution centre located at 136 Horrie Miller Drive, Perth Airport to the east of the Perth CBD. The Property was purpose built for Coles Group Limited, reaching completion in May 2008. The Fund will acquire 25% of the units in the Coles Distribution Centre Trust which retains a long-term leasehold interest in the Coles Distribution Centre. The Fund will progressively acquire its 25% interest from Charter Hall Core Plus Industrial Fund (CPIF) once the Minimum Offer Amount is achieved. The Property remains fully-leased to Coles Group Limited with a minimum remaining lease term of 15.4 years at 31 December 2012 and annual rental increases of 2.75%.

You should read this PDS in full before deciding whether to invest in the Fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.

Yours faithfully,

Charter Hall Direct Property Management Limited



PEEYUSH GUPTA
Chairman



RICHARD STACKER
Chief Executive Officer

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Why Invest?

Charter Hall Direct Industrial Fund No. 2 (Fund) follows the successful launch of DIF1 which raised close to \$120 million of equity from investors. The Responsible Entity has utilised this equity, along with debt finance, to acquire seven industrial properties located across Sydney, Melbourne, Brisbane, Adelaide and Perth. As with DIF1, the Responsible Entity intends to utilise proceeds from the Offer, along with debt finance, to progressively acquire and manage a \$200 million diversified portfolio of prime industrial properties.

Clear investment criteria to acquire a quality portfolio

The Fund aims to provide Investors with sustainable and stable income and the potential for capital growth. To achieve this, the Responsible Entity is seeking to progressively acquire and manage a \$200 million diversified portfolio of prime industrial properties in established Australian industrial precincts with an emphasis on those positioned near major transport infrastructure. The Responsible Entity will acquire properties for the Fund in accordance with clear investment criteria pertaining to property grade, location, tenant quality, occupancy and WALE. For more detail on the investment criteria, refer to section 4.2.

Focus on yield

The target average annualised distribution to Investors holding Ordinary Units is 8.0 cents per Unit for the initial two years of the Fund's term. This target distribution level compares favourably to prevailing income returns on cash, term deposits, bonds, listed REITs and shares in companies listed on the ASX.

The Responsible Entity aims to grow the rental income of the Fund by targeting industrial properties with long-dated leases to investment-grade tenants, fixed rental increases and minimal ongoing capital expenditure requirements.

Tax-deferred income

The Responsible Entity anticipates distribution payments to Investors will contain some portion of tax-deferred income.

Tax-deferred income arises through the different treatment of expenses and depreciation allowances on buildings and plant and equipment within a building for accounting and taxation purposes. For further information on the tax implications of investing in the Fund, refer to section 9.1.

Favourable market conditions

The Responsible Entity believes that market conditions at the date of this PDS are characterised by:

- ◆ an improved outlook for real estate markets after the significant falls in property values during the global financial crisis;
- ◆ demand from major tenants of industrial property to partner with property companies that can develop, deliver and manage quality properties;
- ◆ limited new supply from speculative development leading to rental growth forecast for most markets; and
- ◆ increasing demand for high-quality property by Australian and offshore fund managers that can still access sources of equity and debt finance.

Growth potential

At the date of this PDS, the Responsible Entity considers the Fund has the potential to purchase properties at attractive prices, creating an opportunity for capital growth over time.

Reduced capital volatility

The global financial crisis has caused severe volatility in the valuation of assets globally, but particularly assets in listed markets (such as shares and REITs). Australian direct property has historically

experienced lower volatility than listed Australian and international shares and listed REITs. As a result, investing in direct property can potentially lower an investor's overall portfolio risk. The Fund is not currently listed on the ASX and therefore the Unit Price will reflect the value of its underlying assets.

Gearing policy

The Responsible Entity has a gearing target for the Fund of 45%.

Active portfolio management

The Properties will be held and actively managed in the Fund to generate a stabilised income return to Investors. Each Property will regularly be assessed for its income outlook and strategic value.

If the Responsible Entity considers it appropriate to take advantage of a strong selling opportunity, it may sell Properties prior to the conclusion of the Fund's initial seven-year term. The Responsible Entity anticipates that any net sales proceeds will be returned to Investors and not used to acquire additional Properties.

Liquidity Event

The Fund will have an initial seven-year term comprising the Investment Period followed by the Asset Management Period which will conclude on or about 31 December 2019.

Prior to the conclusion of the initial seven-year term, on or about 30 June 2019, there will be a Liquidity Event, where the Responsible Entity will provide Investors the opportunity to realise their investment through the completion of a withdrawal request form. This form will allow each Investor to nominate the number of Units (if any) they wish to redeem at the conclusion of the initial seven-year term.

If, at this time, the Responsible Entity receives withdrawal requests from Investors in respect of more than 50% of the Units (excluding Acquisition Units) on issue, the Fund will be wound up with the Responsible Entity completing an orderly sale of the Properties or procuring the sale of all Units.

Alternatively, if the Responsible Entity does not receive withdrawal requests from Investors in respect of more than 50% of the Units (excluding Acquisition Units) on issue, the term of the Fund may then be extended for a further period of up to three years. In that case, the Responsible Entity will implement a liquidity strategy and use its best endeavours to fund the withdrawal requests received from Investors.

The Constitution gives the Responsible Entity the power to list the Fund without Investor approval. If the Responsible Entity does so, no Liquidity Event will apply in respect of the Fund as Investors can seek to exit their investment through trading their Units on the ASX.

Risks

You should read this PDS in full before deciding whether to invest in the Fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.

Section 5 sets out some of the key property investment risks, fund investment risks and general investment risks which are relevant to an investment in the Fund.

Five Steps to Invest



Read this document

You should read this PDS in full before deciding whether to invest in the Fund and if you are in any doubt, you should consider consulting your financial adviser, stockbroker or other professional advisers.

Consider the Offer

Pay particular attention to the key risks set out in section 5 and other information concerning the Units, the Fund and its assets. These risks need to be considered in light of your investment objectives, financial situation and particular needs.

Consult your adviser

Consider consulting your financial adviser, stockbroker or other professional advisers before deciding whether to invest.



Complete the Application Form

Indirect Investors

You will need to obtain and complete the relevant application forms from your IDPS Operator. Your IDPS Operator will set the minimum transaction requirements.

You should ignore information in this PDS on how to apply that is only relevant to Direct Investors, including sections 10.2 and 12.

Direct Investors

To make an investment, complete and return the Application Form in section 12. You will need to take care to ensure that you complete it in the manner outlined in section 10.

The completed and signed Application Form must be returned, together with any additional documentation required (as set out in the Application Form).

You will also need to enclose your Application Amount with the Application Form to secure your investment in the Fund. We will accept:

- ◆ cheques drawn on an Australian branch of a bank or other financial institution and made payable to 'CHDPML – Charter Hall Direct Industrial Fund No. 2 Applications Account' for the total Application Amount. All cheques should be crossed 'not negotiable' and must be in Australian currency; or
- ◆ direct credit – you need to transfer funds to the following account:

Account name: CHDPML – Charter Hall Direct Industrial Fund No. 2 Applications Account
BSB number: 182-222
Account number: 3019-23637
Reference: name on the Application Form.

The minimum Application Amount per Direct Investor is \$10,000 and in multiples of \$1,000 thereafter.

Mail your Application Form

Indirect Investors

Your IDPS Operator will facilitate an investment in the Fund on your behalf.

You should contact your adviser or IDPS Operator for specific details of the Fund including information on the progress of the Fund, Unit pricing, distribution payments, confirmation of your investment, additional investments, queries with respect to annual tax statements, complaints and any applicable cut-off times for applications.

Direct Investors

Please send your completed Application Form and cheque (if paying by cheque) to the Investor registry address:

Charter Hall Direct Industrial Fund No. 2 Offer
C/- Computershare Fund Services Pty Limited
Unit Registry
GPO Box 804
Melbourne VIC 3001

For any queries regarding the Application Form, please contact the Investor registry on:

Telephone: 1300 137 895

Fax: (03) 9473 2126

Email: charterhall@computershare.com.au

For further information on the Fund, please contact your financial adviser or contact us on:

Website: www.charterhall.com.au/dif2

Telephone: 1300 652 790 (local call cost) or +61 2 8908 4036 (calling from outside Australia)

Email: directproperty@charterhall.com.au

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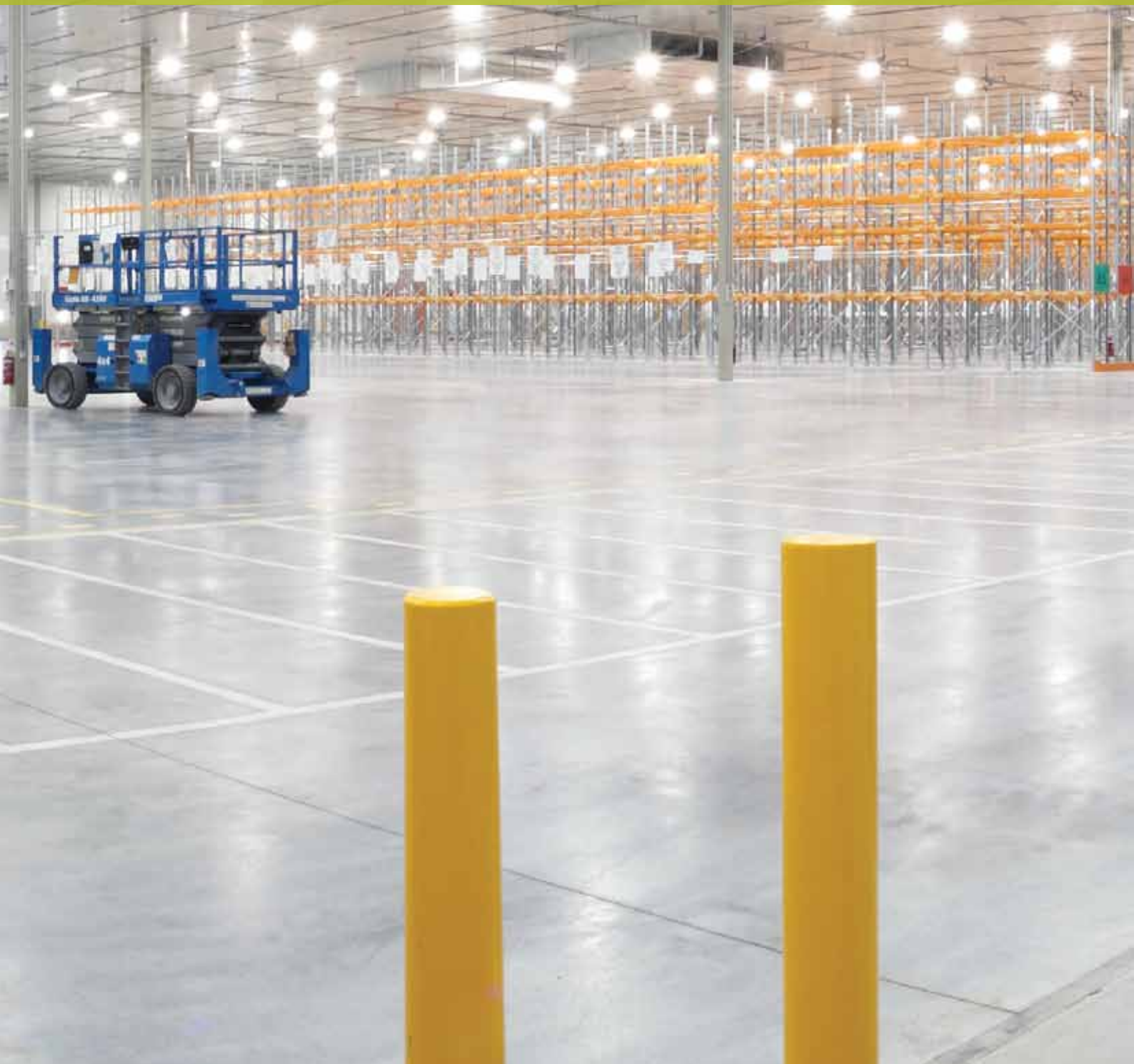
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Investment Overview



1. Investment Overview

Important dates ¹		Section
Offer opening date	17 December 2012	2.1
First Allotment	Expected to be in December 2012	2.1
Ongoing Allotments	Expected to be on each Business Day following the first Allotment Date until the Final Closing Date	2.1
Limited Offer	Under a limited offer, Investors who are allotted Units before the later of the Limited Offer Date and the Initial Offer Amount being allotted, will be issued Ordinary A Units. Holders of Ordinary A Units will benefit by receiving, from the Fund, an additional 200 bonus Units for every 10,000 Units they subscribe for (i.e. effectively 10,200 Ordinary A Units for every \$10,000 invested).	2.1, 7.3
Limited Offer Date	31 March 2013	2.1
First Closing Date	30 June 2013	2.1
Final Closing Date	The earlier of 31 December 2014 and the Total Offer Amount being allotted	2.1
First distribution	Will be paid in respect of the period ending 31 December 2012	2.6
Key features of the Offer		
Total Offer Amount	\$120 million	2.1
Minimum Offer Amount²	\$19 million	2.1
Initial Offer Amount	\$30.2 million	2.1
Minimum Application Amount per Applicant	Direct Investors: \$10,000 and in multiples of \$1,000 thereafter ³ Indirect Investors: as advised by the Indirect Investor's IDPS Operator	2.1, 10
Key features of the Fund		
Investment objective	The Fund aims to provide Investors with sustainable and stable income and the potential for capital growth. To achieve this, the Responsible Entity is seeking to progressively acquire and manage a \$200 million diversified portfolio of prime industrial properties in established Australian industrial precincts with an emphasis on those positioned near major transport infrastructure.	2.2
Responsible Entity and Manager	Charter Hall Direct Property Management Limited is the Responsible Entity and has outsourced a number of its functions to the Manager, Charter Hall Holdings Pty Ltd.	2.5
Charter Hall Group	Charter Hall Group is one of Australia's leading fully integrated property groups, with more than 20 years of experience managing high-quality property on behalf of institutional, wholesale and retail clients.	3
Term of the Fund	The Fund will have an initial seven-year term comprising: <ul style="list-style-type: none"> the Investment Period; followed by the Asset Management Period ending on or about 31 December 2019. Subject to the Liquidity Event, this term may be extended for a further term of up to three years.	2.3
Investment strategy	To achieve the investment objective, the Responsible Entity will aim to: <ul style="list-style-type: none"> acquire Properties in accordance with the clear investment criteria set out in section 4.2; diversify the portfolio of Properties by location and tenants; actively manage the Properties to maximise their capital and income growth prospects; seek investment opportunities through Charter Hall Group's real estate investment pipeline including properties developed by CIP; regularly review each Property to ensure that its progress and performance are consistent with the investment objective; and where appropriate, sell Properties to maximise returns to Investors. 	2.2
Sale of Properties	While it is not the Responsible Entity's current intention to dispose of any Properties, if the Responsible Entity considers it appropriate to take advantage of a strong selling opportunity, it may sell Properties prior to the conclusion of the Fund's initial seven-year term. There will be no Asset Recycling during the Asset Management Period.	2.2
Target distributions	Assuming the raising of the Minimum Offer Amount, the Responsible Entity is targeting average annualised distributions from the Fund to Investors holding Ordinary Units of 8.0 cents per Unit for the initial two years of the Fund's term.	2.6
	Frequency Payable quarterly in arrears	2.6
	Tax-deferred The Responsible Entity anticipates that distribution payments to Investors will contain some tax-deferred amounts.	2.6

Notes:

- These dates may be changed by the Responsible Entity in its discretion.
- If the Responsible Entity determines not to proceed with the Offer because the Minimum Offer Amount is not raised and is not allotted by the First Closing Date, the process in section 2.1 will apply.
- The Responsible Entity may waive the minimum Application Amount requirements in its discretion.

1. Investment Overview (continued)

Key features of the Fund (continued)		Section
Debt financing	The Responsible Entity has a gearing target for the Fund of 45%. Gearing may be temporarily higher (up to 50%) in order to settle property acquisitions with subsequent proceeds from the Offer used to reduce gearing in line with the target.	2.5
Liquidity Event and extension of term	<p>On or about 30 June 2019, the Liquidity Event will occur. At this time, the Responsible Entity will communicate formally with Investors providing:</p> <ul style="list-style-type: none"> the Responsible Entity's recommendation as to whether the Fund should be wound up or its term extended beyond its initial seven-year term; a withdrawal request form allowing each Investor to nominate the number of Units (if any) they wish to redeem at the conclusion of the initial seven-year term; an outline of the liquidity strategy the Responsible Entity proposes in order to fund the withdrawal of redeeming Investors; and the estimated Unit Price that Investors will receive if Investors redeem Units or the Fund is wound up. <p>If, at this time, the Responsible Entity receives withdrawal requests from Investors in respect of more than 50% of the Units (excluding Acquisition Units) on issue, the Fund will be wound up with the Responsible Entity completing an orderly sale of the Properties or the Responsible Entity will procure the sale of all Units.</p> <p>Alternatively, if the Responsible Entity does not receive withdrawal requests from Investors in respect of more than 50% of the Units (excluding Acquisition Units) on issue, the term of the Fund may be extended for a period of up to three years. In that case, the Responsible Entity will implement a liquidity strategy and use its best endeavours to fund the withdrawal requests received from Investors.</p> <p>The Constitution gives the Responsible Entity the power to list the Fund without Investor approval. If the Responsible Entity does so, no Liquidity Event will apply in respect of the Fund as Investors can seek to exit their investment through trading their Units on the ASX.</p>	2.4
Charter Hall Group underwrite	<p>The Underwriter will initially provide up to \$11 million to allow the Fund to be established and the Australia Post Distribution Centre to be acquired and developed.</p> <p>Then, if an amount equal to or greater than the Minimum Offer Amount but less than the Initial Offer Amount is raised by 30 June 2013, the Underwriter has agreed to provide up to \$11 million to secure the Fund's investment in the Coles Distribution Centre.</p>	2.1, 9.7
The initial property portfolio		
Location	The initial property portfolio will consist of two prime industrial assets, being the Australia Post Distribution Centre and a 25% interest in the Coles Distribution Centre.	4.3
Australia Post Distribution Centre	<p>On completion, the Australia Post Distribution Centre will be a brand new, high-quality prime-grade industrial facility located at 15-21 Enterprise Drive, Rowville approximately 25 radial kilometres south-east of the Melbourne CBD. The Property is currently being developed for Australian Postal Corporation's stamp manufacturing and distribution business, Sprintpak.</p> <p>The Total Consideration for the Australia Post Distribution Centre is \$9.4 million. This property has been independently valued by Savills Valuations Pty Ltd at \$9.4 million on an 'as if complete' basis. On 4 December 2012, the Fund exchanged unconditional contracts to acquire the land site and entered into a Development Agreement with Australand Property Group to develop the Property with practical completion scheduled for April 2013.</p> <p>Australian Postal Corporation has signed an agreement for lease over the entire Property. Under the terms of this agreement for lease, the tenant will enter into a lease for an initial term of 15 years from practical completion with annual rental increases of 3.25%.</p>	4.3, 8
Coles Distribution Centre	<p>The Coles Distribution Centre is a state of the art distribution centre located at 136 Horrie Miller Drive, Perth Airport approximately 13 kilometres east of the Perth CBD. The Property was purpose built for Coles Group Limited, reaching completion in May 2008.</p> <p>The Fund will acquire 25% of the units in Coles Distribution Centre Trust which retains a long-term leasehold interest in the Coles Distribution Centre. The Fund will progressively acquire its 25% interest from CPIF. Upon the Fund's acquisition of a 25% interest, it will own the Property jointly with CPIF (50% interest) and DIF1 (25% interest) pursuant to the Coles Distribution Centre Unitholders Agreement which includes the ability for the Fund, with DIF1 and CPIF's consent, to sell up to 100% of the Property should it wish to realise its investment in the Coles Distribution Centre Trust.</p> <p>The Total Consideration for the 25% interest of the Coles Distribution Centre of \$45.875 million has been negotiated with CPIF and reflects the independent valuation of the entire Property of \$183.5 million as assessed by Savills Valuations Pty Ltd at 30 November 2012.</p> <p>The Property remains fully-leased to Coles Group Limited with a minimum remaining lease term of 15.4 years at 31 December 2012 and annual rental increases of 2.75%.</p>	4.3, 8, 9.6

Risks		Section
Risks	<p>As with any investment, there are a number of risks inherent in an investment in the Fund. The key risks are discussed in section 5 and include:</p> <ul style="list-style-type: none"> ♦ property investment risks – including the risk that property values decline and the risk that there is a decrease in Fund income; ♦ fund investment risks – including the limitations on the liquidity of your investment, risks associated with properties under development, potential lack of diversification and gearing risk; and ♦ general investment risks – including that the economy and market conditions may affect asset returns and values. <p>Where possible, the Responsible Entity and/or Manager will implement safeguards and controls to reduce risk.</p>	5
Fees and other costs ⁴		
Certain one-off and ongoing fees are payable in relation to an investment in the Fund. These are set out in detail in section 6 and include the following:		
Contribution fee⁵	Nil	6.1
Base management fee	Up to 0.60% per annum of the GAV	6.1, 6.2
Performance fee	15% of the portion of the outperformance of the Fund over an IRR of 10% per annum payable upon the wind up or sale of the Fund and/or other limited circumstances	6.2
Acquisition fee	Up to 2% of the Total Consideration payable for any direct or indirect interest in a Property acquired by the Fund	6.2
Disposal fee	Up to 2% of the gross sale price of any Property sold (with any selling fees payable to real estate agents paid by the Manager out of the Manager's disposal fee)	6.2
Adviser remuneration ⁶		
Fee for service	<p>Direct Investors: may elect to pay their adviser a professional fee for service of up to 3% (including GST) of their Application Amount for Units issued under the Offer or an agreed dollar amount</p> <p>Indirect Investors: Nil</p>	6.2, 10.2

Notes:

4. The fees show the net effect of GST (i.e. inclusive of 10% GST less any input tax credits, including reduced input tax credits).

5. Direct Investors may elect to pay their adviser a professional fee for service. For more detail, refer to section 6.2.

6. This does not include any additional fees or expenses your adviser may charge you.

Fund Structure and Policies



2. Fund Structure and Policies

2.1. The Offer

The Responsible Entity is seeking to raise the Total Offer Amount by issuing Units to Applicants. It is intended that the proceeds received under the Offer, together with debt finance, will be used to acquire a \$200 million diversified portfolio of prime Australian industrial properties.

The Offer will open on 17 December 2012 and will close for investment upon the earlier of 31 December 2014 and the Total Offer Amount being allotted. The Responsible Entity may vary these dates or close or suspend the Offer from time to time for any reason, including as a result of buying opportunities that satisfy the Fund's investment criteria reducing or ceasing to exist.

The initial property portfolio

The initial property portfolio will consist of two prime industrial assets, being the Australia Post Distribution Centre and a 25% interest in the Coles Distribution Centre.

On 4 December 2012, the Fund exchanged unconditional contracts to acquire the land site of the Australia Post Distribution Centre. A Development Agreement has been entered into with Australand Property Group to develop the Australia Post Distribution Centre for a fixed price. Practical completion of the Australia Post Distribution Centre is scheduled for April 2013.

On 13 December 2012, the Fund entered into an agreement to progressively purchase 25% of the units in the Coles Distribution Centre Trust which retains a long-term leasehold interest in the Coles Distribution Centre. This agreement is subject to the Fund achieving its Minimum Offer Amount, with the Fund scheduled to purchase at least 12.5% of the units in the Coles Distribution Centre Trust by 30 June 2013 and the remaining units by 30 September 2013.

Classes of Units

Limited offer of Ordinary A Units

Under a limited offer, Investors who are allotted Units before the later of the Limited Offer Date (being 31 March 2013) and the Initial Offer Amount (\$30.2 million) being allotted, will be issued Ordinary A Units. Holders of Ordinary A Units will benefit by receiving, from the Fund, an additional 200 bonus Units for every 10,000 Units they subscribe for (i.e. effectively 10,200 Ordinary A Units for every \$10,000 invested).

Following the conclusion of the limited offer of Ordinary A Units, based on the assumptions in section 7.3, the effective NTA is anticipated to be \$0.93 per Ordinary Unit. However, as holders of Ordinary A Units will benefit by receiving, for every 10,000 Units they subscribe for, an additional 200 bonus Units, these Investors will have an effective NTA per \$1.00 invested of \$0.95. For more detail, refer to section 7.3.

Ordinary Units allotted after the conclusion of the limited offer

Investors who are allotted Units after this time will receive Ordinary Units. All Ordinary A Units on issue will have the same rights as, and become, Ordinary Units upon the conclusion of the limited offer of Ordinary A Units. For detail on Ordinary Units and Ordinary A Units, refer to section 9.12.

Acquisition Units

To facilitate the acquisition and construction of Properties, Charter Hall Group and/or its related bodies corporate or associates, may provide funding by subscribing for Acquisition Units at the prevailing Unit Price. The Underwriter has subscribed for Acquisition Units to

enable the Fund to secure the Australia Post Distribution Centre. Acquisition Units have the same rights as Ordinary Units except for certain characteristics including that Acquisition Units may be redeemed using proceeds from the allotment of all Units or the sale of assets in the Fund. For more detail on Acquisition Units, refer to section 9.13.

Wholesale Units

Wholesale Units may be offered to Wholesale Clients and will have the same rights as Ordinary Units with the exception that a different fee structure may apply. For more detail on Wholesale Units, refer to section 9.14.

Minimum Offer Amount

The Minimum Offer Amount is \$19 million, comprised of all Units excluding Acquisition Units or, if the Responsible Entity determines in its discretion, all Units including Acquisition Units.

If the Responsible Entity determines not to proceed with the Offer because the Minimum Offer Amount is not raised by the First Closing Date:

- ◆ any Units (excluding Acquisition Units) already issued to Investors will be compulsorily redeemed by the Responsible Entity. In these circumstances, each Investor will receive a total redemption amount equal to their Application Amount plus their proportionate share of Fund income for the period they were invested; and
- ◆ any Application Amounts which have not been allotted, will be returned to each Applicant.

Charter Hall Group underwrite

The Underwriter will initially provide up to \$11 million to allow the Fund to be established and the Australia Post Distribution Centre to be acquired and developed.

Then, if an amount equal to or greater than the Minimum Offer Amount but less than the Initial Offer Amount is raised by 30 June 2013, the Underwriter has agreed to provide up to \$11 million which will be used to secure the Fund's investment in the Coles Distribution Centre. The maximum amount that the Underwriter is required to advance pursuant to the Underwriting Deed is \$11 million.

For more detail regarding the underwriting arrangements, refer to section 9.7.

Total Offer Amount

The Responsible Entity does not currently intend to accept additional applications once the Total Offer Amount has been allotted but retains discretion to accept additional applications having regard to the best interests of all Investors at the relevant time.

Minimum Application Amount per Applicant

The minimum Application Amount for Direct Investors is \$10,000 and in multiples of \$1,000 thereafter. The Responsible Entity may waive the minimum Application Amount requirements in its discretion.

For Indirect Investors, minimum transaction requirements will be set by the Indirect Investor's IDPS Operator.

2. Fund Structure and Policies (continued)

Allotment

The first Allotment is expected to occur in December 2012. Thereafter, Allotments are expected to occur each Business Day until the Final Closing Date. The Responsible Entity has discretion to reject in full or scale back any application for Units made pursuant to the Offer.

Cooling off period

Direct Investors who are not classified as Wholesale Clients have a 14-day cooling off period. For more detail, refer to section 10.2.

2.2. Investment objective

The Fund aims to provide Investors with sustainable and stable income and the potential for capital growth. To achieve this, the Responsible Entity is seeking to progressively acquire and manage a \$200 million diversified portfolio of prime industrial properties in established Australian industrial precincts with an emphasis on those positioned near major transport infrastructure.

Investment strategy

To achieve the investment objective, the Responsible Entity aims to:

- ◆ acquire Properties in accordance with the clear investment criteria set out in section 4.2;
- ◆ diversify the portfolio of Properties by location and tenants;

- ◆ actively manage the Properties to maximise their capital and income growth prospects;
- ◆ seek investment opportunities through Charter Hall Group's real estate investment pipeline including properties developed by CIP (for detail on how the Responsible Entity intends to mitigate potential conflicts of interest involving CIP, refer to section 4.4);
- ◆ regularly review each Property to ensure that its progress and performance are consistent with the investment objective; and
- ◆ where appropriate, sell Properties to maximise returns to Investors.

Detailed, up to date information about the Property portfolio can be found on the Fund's website at www.charterhall.com.au/dif2 and will be provided in quarterly communications to Investors.

Sale of Properties

While it is not its current intention to dispose of any Properties during the term of the Fund, if the Responsible Entity considers it appropriate to take advantage of a strong selling opportunity, it may sell one or more Properties prior to the conclusion of the Fund's initial seven-year term to maximise returns to Investors.

If this occurs during the Investment Period, the Responsible Entity may elect to reinvest or return any net sales proceeds to Investors. There will be no Asset Recycling during the Asset Management Period. There is no guarantee that any of the Properties will be sold prior to the conclusion of the Fund's initial seven-year term.

2.3. Term of the Fund

The Fund will have an initial seven-year term comprising the Investment Period followed by the Asset Management Period:



Investment Period

The Investment Period will commence from the opening date of 17 December 2012 and will continue until the earlier of 31 December 2014 and the Total Offer Amount being allotted.

During the Investment Period, the Responsible Entity will seek to raise the Total Offer Amount and obtain debt finance in order to progressively acquire a \$200 million diversified portfolio of prime Australian industrial properties for the Fund in accordance with the investment criteria set out in section 4.2. The final Property acquisitions, funded from proceeds raised during the Investment Period, may actually complete following the conclusion of the Investment Period. Proceeds received under the Offer may also be used to fund the redemption of any Acquisition Units: refer to section 9.13.

Asset Management Period

The Asset Management Period will commence at the conclusion of the Investment Period and will end on or about 31 December 2019.

During the Asset Management Period, the Manager will actively manage the Properties so that the Fund can provide income distributions and the potential for capital growth to Investors. This active management will include an ongoing assessment of whether the value of each Property can be further enhanced and how market conditions may affect its value.

2.4. Liquidity Event

The Liquidity Event will occur on or about 30 June 2019 which is approximately six months prior to the conclusion of the Fund's initial seven-year term. The objective of the Liquidity Event is to: outline to Investors the Responsible Entity's recommendation as to whether the Fund should be wound up or its term extended in light of the Fund's properties and property market conditions; determine the wishes of Investors; and provide liquidity for those Investors wishing to redeem their investment.

Independent valuation

The Responsible Entity will have each of the Properties valued by an independent valuer prior to the Liquidity Event. These valuations will not be more than three months old at the date of the Liquidity Event.

For more detail on the Responsible Entity's ongoing valuation policy, refer to section 2.5.

Information to be provided to Investors

At the Liquidity Event, the Responsible Entity will communicate formally with Investors providing:

- ◆ details of the independent valuations of the Properties;
- ◆ the Responsible Entity's recommendations as to whether the Fund should be wound up or its term extended for a further term of up to three years;
- ◆ an outline of the liquidity strategy the Responsible Entity proposes in order to fund the withdrawal of redeeming Investors; and
- ◆ the price that Investors will receive if Investors redeem Units or the Fund is wound up. This estimated Unit Price will reflect the NTA per Unit and estimated costs of selling the Properties and winding up the Fund.

Withdrawal offer

At the Liquidity Event, the Responsible Entity will provide each Investor a withdrawal request form allowing each Investor to nominate the number of Units (if any) they wish to redeem at the conclusion of the initial seven-year term. If, at this time, the Responsible Entity receives withdrawal requests from Investors in respect of more than 50% of the Units (excluding Acquisition Units) on issue, the Fund will be wound up or all Units will be sold.

Alternatively, if the Responsible Entity does not receive withdrawal requests from Investors in respect of more than 50% of the Units (excluding Acquisition Units) on issue, the term of the Fund may then be extended for a further period of up to three years.

If the Fund is to be wound up or all Units sold

If the outcome of the Liquidity Event is to wind up the Fund, the Responsible Entity will as soon as practicable:

- ◆ complete an orderly sale of the Properties; or
- ◆ procure the sale of all Units, and return the net proceeds to Investors. The purchaser of the Properties or Units may be a related party or associate of the Responsible Entity. For any related party transaction, the price and other terms will reflect normal commercial terms. For detail on procedures for dealing with related party transactions, refer to section 9.8.

If the term of the Fund is extended

If the outcome of the Liquidity Event is that the term of the Fund may be extended, the Responsible Entity will look to:

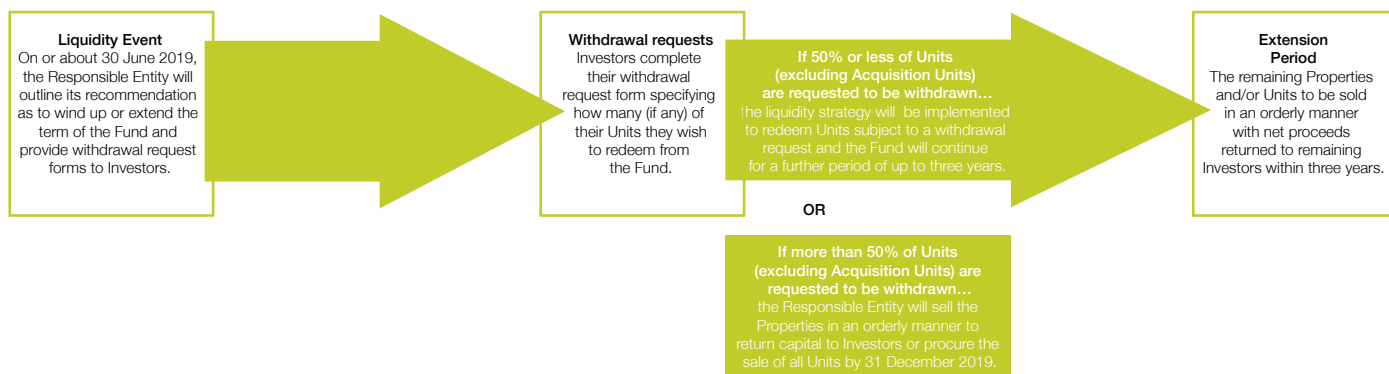
- ◆ implement the proposed liquidity strategy to facilitate the redemption or transfer of all Units subject to a withdrawal request by 31 December 2019; and
- ◆ extend the term of the Fund for a further period of up to three years.

The Responsible Entity will determine the most appropriate liquidity strategy, having regard to what is in the best interests of all Investors at the time. This strategy may include selling some of the Properties, raising equity, arranging debt finance, listing the Fund on the ASX or using a combination of these options. The Responsible Entity will use its best endeavours to implement a liquidity strategy and fund requested redemptions; however, this will be subject to acting in the best interests of all Investors including remaining Investors.

Power of attorney

Upon the Liquidity Event, each holder of Units appoints the Responsible Entity and its authorised officers and agents as its attorney to do any act or thing, including to execute, sign and deliver any document that the attorney considers necessary or desirable to implement the steps required to provide liquidity in accordance with this PDS (including executing transfer, assignment, application form, subscription and other assurance of the Units being transferred or issued).

The Constitution gives the Responsible Entity the power to list the Fund without Investor approval. If the Responsible Entity does so, no Liquidity Event will apply in respect of the Fund as Investors can seek to exit their investment through trading their Units on the ASX.



2. Fund Structure and Policies (continued)

2.5. Fund Structure

Responsible Entity

Charter Hall Direct Property Management Limited (CHDPML) is the responsible entity of the Fund and the issuer of the Units under this PDS.

The board of CHDPML comprises six directors: three executives of Charter Hall Group and three independent directors including an independent chairman. Further information regarding Charter Hall Group and the key management team is set out in section 3.

Manager

The Responsible Entity has appointed Charter Hall Holdings Pty Ltd (CHH) as the Manager under the Asset Services Agreement to provide asset management services to CHDPML. The Responsible Entity will pay the Manager's fees out of the fees it receives.

A summary of the terms of the Asset Services Agreement is set out in section 9.3.

Unit pricing

Under a limited offer, Investors who are allotted Units before the later of the Limited Offer Date and the Initial Offer Amount being allotted, will be issued Ordinary A Units. Holders of Ordinary A Units will benefit by receiving, from the Fund, an additional 200 bonus Units for every 10,000 Units they subscribe for (i.e. effectively 10,200 Ordinary A Units for every \$10,000 invested).

For other Units issued prior to 31 December 2013, the Unit Price will be \$1.00 plus, where applicable, accrued income. Daily income accruals will be included in the Unit Price from the commencement of the first distribution period following the final Allotment of Ordinary A Units. Immediately after the conclusion of this and subsequent distribution periods, the Unit Price may fall to reflect the Fund's reduced value due to the distribution liability and/or payment.

After 31 December 2013, the Unit Price will be calculated for each Business Day and will reflect the NAV per Unit adjusted for the capitalisation of certain Fund expenses and will disregard any unrealised movements in the market value of the Fund's interest rate hedging portfolio. Expenses that will be capitalised are all those relating to the establishment of the Fund and acquisition of the Properties such as stamp duty. Amortisation of these capitalised expenses through the Unit Price will commence following the Final Closing Date and will complete prior to the conclusion of the Fund's initial seven-year term.

The Unit Price will be published on the Fund's website at www.charterhall.com.au/dif2.

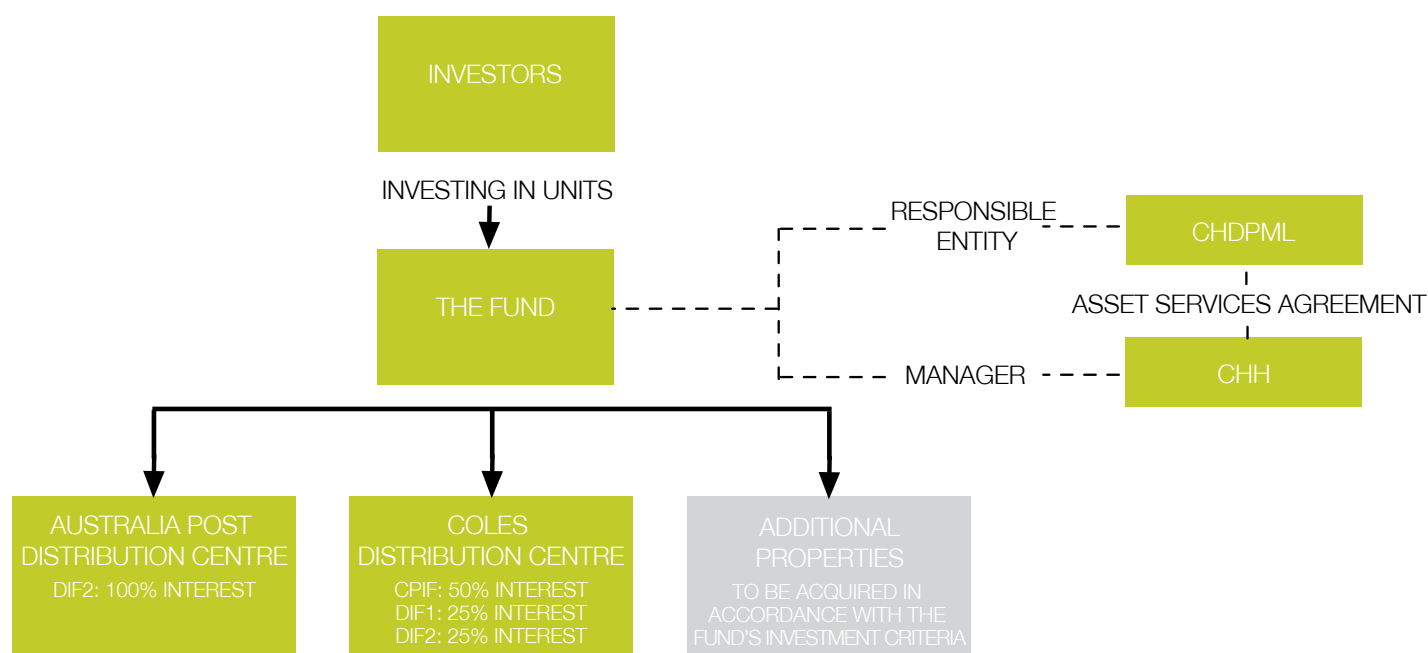
Valuation policy

The Responsible Entity has a valuation policy which will apply to the Fund and:

- ◆ requires that before a property is acquired, it is independently valued on an 'as is' or on an 'as if complete' basis for development properties;
- ◆ requires that each property is independently valued on an 'as is' basis at least once every 12 months (usually, but not exclusively as at 30 June or 31 December) and subject to a directors' valuation at least every six months and in line with the requirements of the incumbent debt providers;
- ◆ requires that all independent valuers engaged by the Responsible Entity will be acceptable to the incumbent debt provider, registered or licensed and will provide valuations which comply with all relevant industry standards and codes;
- ◆ requires a property will also be independently valued at any time if the Responsible Entity believes it is likely to be subject to a substantial increase or decrease in value (i.e. greater than 5%);
- ◆ provides that independent valuers must be rotated such that the same independent valuer cannot value an asset for more than two consecutive years; and
- ◆ prescribes a standard valuation brief to be given to independent valuers which sets out matters including, but not limited to, the required experience and qualifications of the valuer, that the valuer has no conflict of interest, confidentiality obligations and the contents and the calculation methodology of the valuation report.

Consistent with this policy, the Responsible Entity had both of the initial Properties independently valued at 30 November 2012. For a summary of these independent valuations, refer to section 8.

Investment Structure Diagram



Debt Finance

Gearing and interest cover policy

The Responsible Entity maintains and complies with a written policy that governs the Fund's level of gearing and interest cover at a Fund and individual debt facility level.

The Responsible Entity has a gearing target for the Fund of 45%. Following the Allotment of the Initial Offer Amount, gearing may be temporarily higher (up to 50%) in order to settle property acquisitions with subsequent proceeds from the Offer used to reduce gearing in line with the target. Prior to the allotment of the Initial Offer Amount, the Fund's gearing may be higher than 50% should the Responsible Entity require the Underwriter to contribute debt finance in order to secure the Fund's 25% interest in the Coles Distribution Centre.

Debt facilities are anticipated to be provided by major Australian financiers with security granted against the Properties by a first-ranking mortgage and security interests over Fund assets in priority, but with no recourse, to Investors.

The Responsible Entity will aim to enter into future debt facilities where the maximum allowable loan-to-value ratio and minimum allowable interest cover ratio provide sufficient headroom to minimise the likelihood of these covenants being breached. The Responsible Entity believes the proposed terms of the debt facilities and headroom to covenants, as described below, comply with this policy.

Australia Post Distribution Centre debt facility

A major Australian bank has provided the Responsible Entity with an indicative terms sheet to provide a three-year \$4.23 million debt facility for the purposes of partially funding the Total Consideration for the Australia Post Distribution Centre. The prospective lender's indicative terms sheet is subject to due diligence, formal credit approval and satisfactory documentation. The Responsible Entity intends to document and establish the debt facility once the Minimum Offer Amount is achieved.

Under the terms of the indicative terms sheet, the maximum allowable loan-to-value ratio covenant for this facility is 55%. Upon the Allotment of the Initial Offer Amount, the debt facility is expected to be drawn to \$4.23 million, leaving no undrawn capacity. On this basis, the loan-to-value ratio is forecast to be 45%, meaning that the value of the Australia Post Distribution Centre would need to reduce by 18.2% before the covenant is breached.

The minimum property-level interest cover ratio specified in the indicative terms sheet is 1.70 times. The Responsible Entity estimates that, upon practical completion of the Australia Post Distribution Centre, the facility's property-level interest cover ratio to be 3.37 times, meaning that the initial passing net rental of the Property would need to reduce by 49.5% before the covenant is breached.

The maximum Fund gearing ratio specified in the indicative terms sheet is 60% calculated on a look-through basis. As per section 7.3, the Responsible Entity estimates that the look-through gearing ratio upon Allotment of the Initial Offer Amount will be 48.3%, meaning that the value of look-through total assets would need to reduce by 19.5% before the covenant is breached.

The terms sheet specifies that the interest rate payable is made up of two components, being the market base rate and the bank margin. The market base rate will be determined by the floating bank bill rate. The bank margin comprises a line fee and a margin. The line fee is payable on the facility limit and the margin is payable on the drawn debt balance.

The Responsible Entity anticipates that, upon practical completion of the Australia Post Distribution Centre, the effective all-in interest rate will be approximately 4.95% per annum but may vary with movements in floating bank bill rates.

2. Fund Structure and Policies (continued)

Coles Distribution Centre debt facility

A major Australian bank currently provides the Coles Distribution Centre Trust with a \$90 million debt facility (i.e. the Fund's indirect borrowings attributable to this debt facility will be \$22.5 million).

The provider of the Coles Distribution Centre debt facility, which is a major Australian bank, has given its written consent for the Fund to become a party to the existing Coles Distribution Centre Trust debt facility should the Minimum Offer Amount be achieved.

The co-owners of the Coles Distribution Centre intend to commence refinancing negotiations with the existing and other potential lenders during the first quarter of 2013 ahead of the facility's current expiry date of 1 November 2013. The Responsible Entity is confident that continued debt financing will be sourced on similar terms to those of the existing facility.

Under the terms of the existing loan, the maximum allowable loan-to-value ratio covenant for this facility is 60%. At the date of this PDS, the debt facility is fully drawn to \$90 million, leaving no undrawn capacity. On this basis with the \$183.5 million independent valuation of the Property, the loan-to-value ratio is 49.0%, meaning that the value of the Coles Distribution Centre would need to reduce by 18.3% before the covenant is breached.

The facility's minimum interest cover ratio is 1.40 times. For the six months to 30 June 2012, the facility's property-level interest cover ratio was 2.20 times, meaning that the EBITDA of the Coles Distribution Centre Trust would have needed to reduce by 36.3% before the covenant was breached.

The interest rate payable is made up of two components, being the market base rate and the bank margin. The market base rate is determined by the floating bank bill rate. The bank margin comprises a line fee and a margin. The line fee is payable on the facility limit and the margin is payable on the drawn debt balance.

The Coles Distribution Centre Trustee has entered into an interest rate hedging contract to hedge 72% of the associated drawn debt. The existing co-owners of the Coles Distribution Centre have agreed, as part of the Fund's purchase of a 25% interest in the Coles Distribution Centre Trust, to reset part or all of the existing hedging to current market rates. For the purposes of this PDS, it has been assumed that the existing hedging contract is reset such that the mark-to-market value is zero.

The current effective all-in interest rate, assuming the resetting of the existing hedging contract, is approximately 5.00% per annum but may vary with movements in floating bank bill rates.

Gearing ratio

The gearing ratio indicates the extent to which the Fund's assets are funded by borrowings. The gearing ratio gives an indication of the potential risks faced by the Fund as a result of its borrowings due to, for example, an increase in interest rates or a decrease in the value of the Properties. A higher gearing ratio means a higher reliance on external liabilities to fund assets and exposes the Fund to increased funding costs if interest rates rise. A highly geared investment has a lower asset buffer to rely on in times of financial stress. ASIC Regulatory Guide 46 requires the gearing ratio to be calculated as:

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

For the gearing ratio calculated on this basis expected upon Allotment of the Initial Offer Amount, refer to section 7.3. This calculation differs from that of the gearing and loan-to-value ratio debt facility covenants described above.

Interest cover

Interest cover measures the ability of the Fund to meet its interest payments on debt finance from its earnings. The level of interest cover gives an indication of the Fund's financial health, in paying both interest to debt finance providers and distributions to Investors. It is a key measure of the risks associated with the Fund's debt finance and the sustainability of debt refinancing. The lower the interest cover ratio, the higher the risk that the Fund will not be able to meet its interest payments. A fund with a low interest cover ratio only needs a small reduction in earnings, or a small increase in interest rates or other expenses, to be unable to meet its interest payments. ASIC Regulatory Guide 46 requires the interest cover ratio to be calculated as:

$$\text{Interest cover ratio} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

The expected interest cover ratio for the Fund has not been shown at a total Fund level. This is because the Fund has an indirect interest in the Coles Distribution Centre debt facility as it holds this interest via a sub trust and equity accounts for this investment. The individual interest cover ratios for each debt facility are noted in the debt finance section above.

This calculation differs from that of the interest cover ratio debt facility covenants described above.

The interest expense of the Fund is not capitalised.

Interest rate hedging

From time to time, the Responsible Entity may enter into interest rate hedging contracts in order to provide more certainty for the Fund's future interest expense.

The Responsible Entity is targeting to maintain hedging contracts in respect of at least 50% of the Fund's aggregate direct and indirect borrowings.

2.6. Distributions

Target distributions

The target rates of distribution during the initial two years and actual distributions thereafter are subject to a number of risks which are summarised in section 5.

Assuming the raising of the Minimum Offer Amount, the Responsible Entity is targeting average annualised distributions from the Fund to Investors holding Ordinary Units of 8.0 cents per Unit for the initial two years of the Fund's term.

Distribution policy

The Responsible Entity intends to pay income distributions quarterly in arrears. Distributions will generally occur within 30 days of the conclusion of each March, June, September and December.

For the first distribution period ending 31 December 2012 and any distribution period during which Ordinary A Units are allotted, holders of Ordinary A Units and Ordinary Units will receive a distribution proportional to the number of Units they held during the period and the number of days those Units were invested during the period.

For subsequent distribution periods, all Ordinary A Units and Ordinary Units on issue at the conclusion of a distribution period will be entitled to the full distribution for that period.

For all distribution periods, holders of Acquisition Units will receive a distribution proportional to the number of Units they held during a distribution period and the number of days those Units were invested during that distribution period. For more detail on Acquisition Units, refer to section 9.13.

The Responsible Entity intends that distributions will generally be in line with the Fund's cash from operations (excluding borrowings) available for distribution. During the acquisition and development of assets, distributions may include a capital component.

To this end, the Responsible Entity intends, over time, to distribute the whole of the Fund's distributable income calculated in accordance with the Constitution. In doing so, a portion of distributable income may be retained in one period to smooth distributions and/or provide additional working capital for future periods.

Distribution payments

All distributions must be paid directly into an Australian bank account or other account with a financial institution (where there is a branch in Australia).

If valid bank account details are not provided, the Responsible Entity may delay processing an Applicant's application and/or an Investor's distribution payment. Distributions will not be paid by cheque.

The Fund does not have a distribution reinvestment facility.

Tax-deferred amounts

The Responsible Entity anticipates that distribution payments to Investors will contain some tax-deferred amounts. Tax-deferred amounts arise through the different treatment of expenses and depreciation allowances on buildings and plant and equipment within a building for accounting and taxation purposes. For further information on the tax implications of investing in the Fund, refer to section 9.1.

Changes in the amount of depreciation, interest rates, the level of gearing and other risk factors may influence the actual tax-deferred amounts of a distribution.



Charter Hall Group

3. Charter Hall Group

Charter Hall Group is one of Australia's leading fully integrated property groups, with more than 20 years of experience managing high-quality property on behalf of institutional, wholesale and retail clients.

Established in 1991 and listed on the ASX in 2005 as a stapled entity under the code CHC, Charter Hall Group now has \$9.6 billion of assets under management in the core real estate sectors of office, industrial and retail. Charter Hall Group is currently the largest third-party manager of Australian office and supermarket-anchored retail centre properties, and has the third largest managed industrial property portfolio.

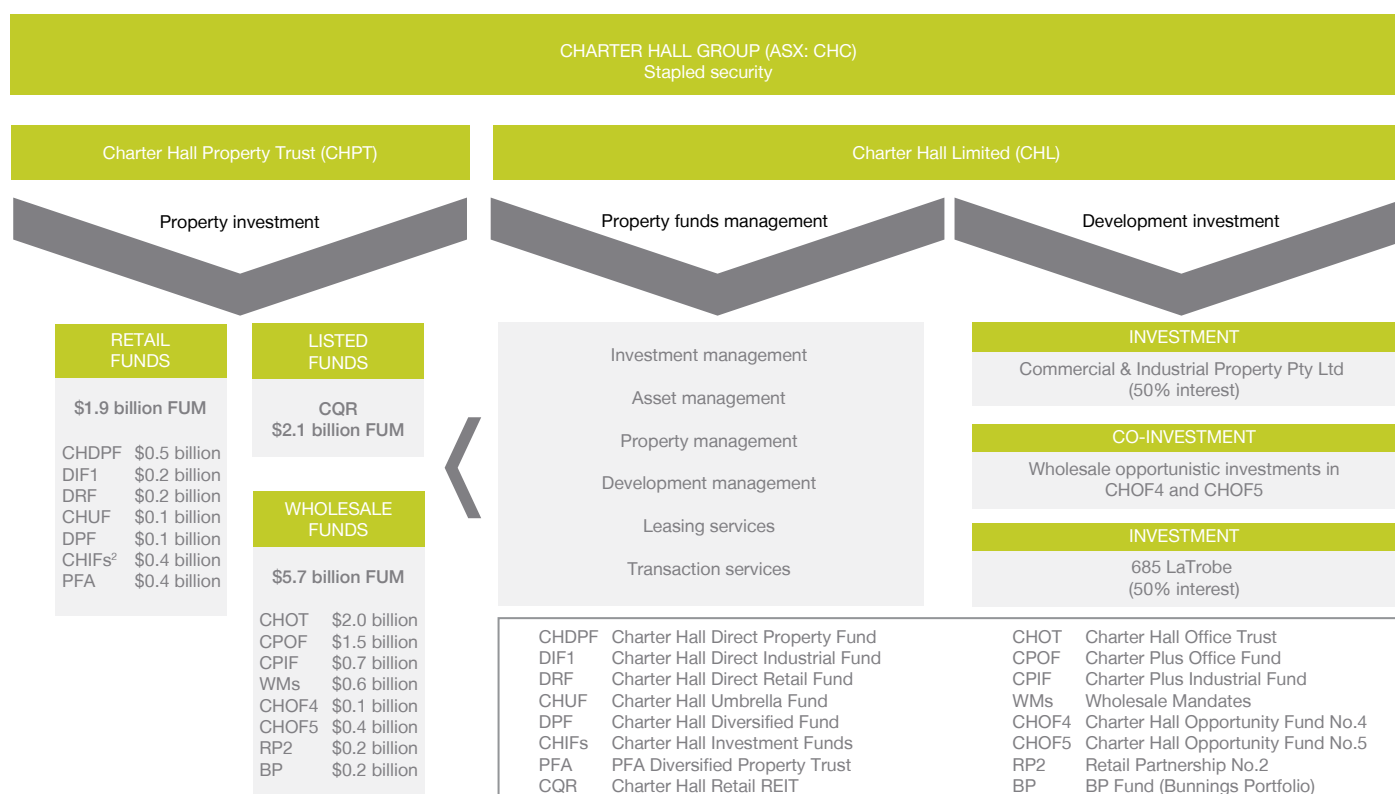
Charter Hall Group's operations are located across Australia with key offices in Sydney, Melbourne, Brisbane, Adelaide and Perth. To actively manage its properties and create value for investors, Charter Hall Group provides the full spectrum of property services including property funds management, asset management, development, leasing, and property management.

Sustainability is a key element of Charter Hall Group's business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall Group can make a positive impact for investors and the community.

Charter Hall Group adds value for investors through its:

- ◆ funds management activities across the risk-return spectrum;
- ◆ deal sourcing of investment opportunities predominantly off-market;
- ◆ historical strong track record of performance;
- ◆ focus on long-lease assets;
- ◆ strong corporate governance principles evidenced by its 15-year history in managing pension fund capital for many of Australia's leading superannuation funds; and
- ◆ highly-regarded property funds management and in-house development team, which currently manages the largest series of opportunistic and core plus property funds in Australia.

Charter Hall Group business model¹



Notes:

1. As at 25 October 2012, except for Charter Hall Office Trust (formerly Charter Hall Office REIT).
2. Includes Charter Hall Investment Funds 2-8, No.1 Martin Place Trust and Charter Hall Property Securities Fund.

3. Charter Hall Group (continued)

3.1. Charter Hall Group industrial properties





Toll Fleet & Auto Logistics Centre, Altona North, Victoria (DIF1)



Australia Post Distribution Centre, Kingsgrove, New South Wales (DIF1)



Citiport Industrial Estate, Meeandah, Queensland (CPIF)



Grace Worldwide Logistics Facility, Willawong, Queensland (DIF1)



Coates Hire Distribution Centre, Kingston, Queensland (DIF1)



Electrolux Distribution Centre, Beverley, South Australia (DIF1)

3. Charter Hall Group (continued)

3.2. Key management team

Peeyush Gupta

Independent Chairman
of the Responsible Entity



Peeyush was a co-founder and the inaugural Chief Executive Officer of Ipac Securities Limited, a pre-eminent wealth management firm.

Peeyush has experience in starting and growing businesses, acquisitions and divestments, roll-ups and integration, general management, investment management and corporate governance. He is a non-executive director of National Wealth Management Holdings, BNZ Life, Safety Return to Work and SIRCA and chairman of State Super Financial Services. He also serves in a pro bono capacity on the Australian School of Business Dean's Advisory Committee, and the Council of Governors of Ascham School.

Peeyush holds a Master of Business Administration in Finance from the Australian Graduate School of Management and a Bachelor of Arts in Computing Studies from the University of Canberra. He is also an alumnus of Harvard and London Business Schools.

David Harrison

Executive Director
of the Responsible Entity



As a Joint Managing Director of Charter Hall Group, David is jointly responsible for all aspects of Charter Hall Group, with specific focus on funds, asset and property management operations. In addition to his responsibilities for the series of unlisted funds' boards and investment committees, David is an Executive Director on the board of Charter Hall Retail REIT. David has more than 25 years of experience in the Australian commercial property market and has jointly overseen the growth of Charter Hall Group's assets under management from \$500 million to over \$9 billion in six years. David has been principally responsible for transactions exceeding \$13 billion across the commercial, retail and industrial property sectors.

Prior to joining Charter Hall Group, David was Managing Director of Savills in Australia, an international commercial real estate agency business. David holds a Land Economics degree from the University of Western Sydney and a Graduate Diploma in Applied Finance from the Securities Institute of Australia, whilst also being a Fellow Member of the Australian Property Institute.

David Southon

Executive Director
of the Responsible Entity



David is a co-founder of Charter Hall Group and one of its Joint Managing Directors, with over 25 years of property industry experience. In conjunction with its Executive Committee and the board, the Joint Managing Directors are responsible for the formulation and implementation of Charter Hall Group's strategy. David is directly responsible for overseeing the operation of Charter Hall Group divisions, including development, leasing, asset management, property management and marketing and communications.

Together with the relevant divisional heads, the Joint Managing Directors share responsibility for the investor relations, corporate finance, legal and people teams as well as working closely with the Chief Financial Officer, Treasury and Capital Management.

David is also an executive director of Charter Hall Group Board and the responsible entity of Charter Hall Retail REIT as well as being a non-executive director on the board of CIP and a member of the investment committees of Charter Hall Opportunity Fund No. 4 and Charter Hall Opportunity Fund No.5.

David holds a Bachelor of Business Degree (Land Economy) and is a Fellow Member of the Australian Property Institute.

Cedric Fuchs

Executive Director
of the Responsible Entity



Cedric is a co-founder of Charter Hall Group with over 40 years of experience in the fields of property investment, development and financial services. He is a member of the investment committees for all of Charter Hall Group's wholesale and certain retail funds.

Prior to co-founding Charter Hall Group in 1991, he worked with Heine Management Limited (now part of ING Real Estate Australia) and Leighton Holdings Limited where he was involved in the development and investment activities of those organisations. Cedric holds a Diploma in Business Management.

Rick Higgins

Independent Director
of the Responsible Entity



Rick is a property professional with over 40 years of experience, having provided valuations and consultancy advice to a range of large institutional clients relating to a broad range of properties.

He is also a non-executive director on the board of BWP Management Limited which is the responsible entity for the ASX-listed BWP Trust.

Rick was the National Director of Business Development for Colliers International and prior to that, he was employed by Jones Lang Wootton for 30 years as a National Director responsible for the National Valuation and Consultancy Division. Rick is a Fellow Member of the Australian Property Institute.

Ian Pratt

Independent Director
of the Responsible Entity



Ian is a partner in a firm of chartered accountants and has had 40 years of experience in the accounting profession. During this time, he has been involved in the property and finance industry and advises on income tax and related matters. Ian is a member of The Institute of Chartered Accountants in Australia. He also acts as a director of a number of private companies and was a director of Macquarie Direct Property Management Limited which has become Charter Hall Direct Property Management Limited.

Richard Stacker

Chief Executive Officer
of the Responsible Entity



Richard is the Chief Executive Officer of Charter Hall Group's Direct Property business which manages unlisted retail funds. Richard has over 22 years of experience in real estate funds management, real estate finance, accounting and risk management.

Prior to joining Charter Hall Group, Richard was a Division Director of Macquarie Group Limited and Chief Executive Officer of Macquarie Direct Property Management Limited. Previous to that, Richard was a General Manager with Lend Lease Corporation Limited and a senior manager with PricewaterhouseCoopers. He is a member of The Institute of Chartered Accountants in Australia.

Richard Mason

Fund Manager
of the Fund



As Fund Manager, Richard has day-to-day responsibility for asset management and tenancy matters, preparing proposals to the board of the Responsible Entity, managing the financial structure of the Fund including debt financing and hedging, together with providing updates on the Fund to Investors. Richard joined Charter Hall Group in early 2007 and since that time has been directly responsible for the acquisition of over \$1 billion of office, industrial and retail property together with handling the disposal of approximately \$250 million of assets.

He has over 20 years of experience in the property industry including having worked at Colliers International as a commercial valuer.

Richard holds a Bachelor of Business (Land Economy) from the University of Western Sydney and is an Associate Member of the Australian Property Institute as well as being a Certified Practising Valuer.



Property Portfolio

4. Property Portfolio

4.1. Australian industrial property investment

The Responsible Entity believes that, as at the date of this PDS, investment in the Australian industrial property sector provides relatively high risk-adjusted returns when compared to those for other commercial property sectors. Some features of industrial properties are:

- ◆ investment returns being highly correlated to economic growth and impacted by the provision of infrastructure;
- ◆ demand being driven by the distribution, logistics and manufacturing sectors;
- ◆ limited availability of prime industrial property investments with the majority of properties being retained by developers;
- ◆ relatively low risk of oversupply due to:
 - limited speculative development by institutions that require substantial pre-commitments;
 - long lead times for provision of infrastructure; and
 - quick response to imbalances due to short construction timeframes; and
- ◆ opportunity to benefit from generally long-dated leases with a high proportion of fixed rental escalation mechanisms in leases.

The Responsible Entity believes the outlook for established Australian industrial precincts is strong with predictions of further growth in the domestic economy and positive industrial property fundamentals. These key industrial markets experienced a boom from 2004 to 2007, and a correction during the global financial crisis. These markets have now entered a phase with relatively moderate development pipelines, low vacancy and attractive yields. As a consequence, the Responsible Entity expects rents to rise and capitalisation rates to compress, resulting in increasing capital values for quality industrial properties.

4.2. Investment criteria

The Responsible Entity aims to acquire properties in accordance with the following clear investment criteria:

Investment criteria	Requirement	Objective
Property type	Prime-grade industrial properties	To maximise the pool of potential purchasers when the Properties are ultimately sold by the Fund.
Location	All Properties will be located in established Australian industrial precincts with an emphasis on those positioned near major transport infrastructure.	To provide potential for capital growth in the value of the Properties and maximise the pool of potential purchasers when the Properties are ultimately sold by the Fund.
Tenants	Investment-grade with a focus on national/international/government tenants	To provide greater certainty that rental income will be paid by tenants for the full term of their leases.
Fund WALE	Upon the acquisition of a Property, the Fund will have at least a 10-year average WALE by income.	To provide sustainable and stable income to the Fund and allow approximately three to five years remaining on each Property's lease term at the conclusion of the Fund's initial seven-year term, to assist with a sale.
Property occupancy	100% committed occupancy	To provide greater certainty and stability over the Fund's income stream.
Development arrangements	For each Property that is acquired subject to construction, there must be: <ul style="list-style-type: none"> ◆ an approved development application; ◆ an agreement for lease; and ◆ such other development risk mitigants considered appropriate by the Responsible Entity. 	To reduce risks associated with development. Such mitigants may include: <ul style="list-style-type: none"> ◆ entry into purchase agreements which allow the Fund to not proceed if a development application is not approved; ◆ development agreements that set a maximum cost to the Fund; ◆ 'step-in' rights allowing the Responsible Entity and/or a related body corporate to take over control of the development in certain circumstances; and ◆ holding of development coupons in escrow prior to payment to the Fund.
Debt finance	Prior to acquisition, a commitment to provide debt finance acceptable to the Responsible Entity will be obtained to finance each Property.	To ensure that the Fund can obtain the debt finance required in order to fund the acquisition and any construction before committing to acquire a Property.

The Manager will bring potential acquisitions to the board of the Responsible Entity on a case-by-case basis. The board of the Responsible Entity will consider each potential acquisition on its own merits and will not be under any obligation or commitment to approve any acquisition.

The Responsible Entity may close or suspend the Offer from time to time as a result of buying opportunities that satisfy the Fund's investment criteria reducing or ceasing to exist.

4. Property Portfolio (continued)

4.3. The initial property portfolio

The initial property portfolio will consist of two prime industrial assets, being the Australia Post Distribution Centre and a 25% interest in the Coles Distribution Centre. The Fund's proportional interest in the gross value of the initial property portfolio is valued at approximately \$55.3 million and benefits from full occupancy, fixed annual rental increases and a WALE in excess of 15 years. Consistent with its valuation policy, the Responsible Entity had both of the initial Properties independently valued at 30 November 2012. For a summary of these independent valuations, refer to section 8.

Australia Post Distribution Centre

Location

On completion, the Australia Post Distribution Centre will be a brand new, high-quality prime-grade industrial facility located at 15-21 Enterprise Drive, Rowville approximately 25 radial kilometres south-east of the Melbourne CBD. The Property is currently being developed for Australian Postal Corporation's stamp manufacturing and distribution business, Sprintpak. The subject site forms part of the Stamford Business Park, which has been recently subdivided to accommodate commercial and industrial uses. Major roads within the vicinity of the Property include Stud Road, Ferntree Gully Road and EastLink approximately 3.5 kilometres to the north-west.

Ultimately, it is anticipated that the estate will house a mix of businesses including storage, distribution, warehousing and logistics. State of the art infrastructure, quality landscaping, wide roads and pedestrian/bicycle links, together with the planned redevelopment of the Stamford Park homestead and surrounding grounds, will provide for a high amenity business park environment.



Acquisition

On 4 December 2012, the Fund exchanged unconditional contracts to acquire the land site of the Property for \$4.25 million exclusive of GST. Settlement is scheduled to take place on 18 December 2012. In its current form, the land site comprises two adjoining parcels of land; however, upon completion these two lots will be consolidated into one lot totalling 15,334sqm.

Development

On 4 December 2012, a Development Agreement was entered into with Australand Property Group to develop the Property with practical completion scheduled for April 2013. Improvements to the Property are being purpose built for Australian Postal Corporation and upon completion will comprise a modern office warehouse facility incorporating front offices attached to a rear high-bay warehouse which has both at-grade and recessed loading dock access. The site will be serviced by warehouse-associated hardstand and 110 on-site car spaces.

The fixed price payable by the Fund under the Development Agreement is \$5.15 million. Accordingly, the Total Consideration for the Australia Post Distribution Centre is \$9.4 million (\$4.25 million plus \$5.15 million). Any development costs in excess of this amount are not required to be met by the Fund and must be borne by Australand Property Group in accordance with the terms of the Development Agreement. Certain defect rectification costs not met by Australand Property Group may be claimed by the Fund from bank guarantees provided by Australand Property Group.

For other legally-binding arrangements in place to mitigate the risks associated with this development, refer to the 'Development arrangements' section below in the 'Satisfies the Fund's investment criteria' table. For more detail on the Development Agreement, refer to section 9.4.

Tenancy

Australian Postal Corporation has signed an agreement for lease over the entire Property. The lease will be for a minimum term of 15 years following practical completion of the Property. For more detail on the agreement for lease, refer to section 9.5.

Tenant	Lettable area	Initial lease term	Commencing net rent	Rent reviews	Option
Australian Postal Corporation	6,468sqm	15 years	\$705,012 per annum	Annual rental increases of 3.25% with a market review at commencement of any option term	Two further terms of five years

Satisfies the Fund's investment criteria

The Australia Post Distribution Centre satisfies all of the Fund's investment criteria:

Investment criteria	Australia Post Distribution Centre	
Property type	✓	New prime-grade property being developed
Location	✓	Situated within the south-eastern industrial market of Melbourne
Tenant	✓	Australian Postal Corporation is a wholly-owned Australian government entity
Fund WALE	✓	15 years upon commencement of the lease
Property occupancy	✓	100% committed occupancy
Development arrangements	✓	<ul style="list-style-type: none">◆ The development application has been approved.◆ Australian Postal Corporation has entered into an agreement for lease.◆ The Development Agreement that sets a fixed price, provides for step-in rights allowing the Fund to appoint a replacement developer if the Development Agreement is terminated.
Debt finance	✓	The Responsible Entity has been provided with a terms sheet from a major Australian bank to provide a debt facility to partially fund the Total Consideration.

Note:

1. For more detail on the agreement for lease and Development Agreement, refer to sections 9.5 and 9.4 respectively.

4. Property Portfolio (continued)

Coles Distribution Centre

Location

The Coles Distribution Centre is a state of the art distribution centre located at 136 Horrie Miller Drive, Perth Airport approximately 13 kilometres east of the Perth CBD. The Property was purpose built for Coles Group Limited, reaching completion in May 2008.

The subject property comprises a leasehold site situated within the boundaries of Perth Airport and occupies approximately 25 hectares of land. Perth Airport is well serviced by a number of major transport arterials including Roe Highway, Tonkin Highway, Graham Farmer Freeway and Great Eastern Highway and adjoins the prominent industrial suburbs of Kewdale and Welshpool as well as the Kewdale freight railway that services these areas.

Acquisition

The Fund will progressively acquire 25% of the units in the Coles Distribution Centre Trust which retains a long-term leasehold interest in the Coles Distribution Centre. Upon the Minimum Offer Amount being achieved by the First Closing Date, the Fund will progressively acquire its 25% interest from CPIF. The Total Consideration for the 25% interest of the Coles Distribution Centre has been negotiated with CPIF and reflects the independent valuation of the entire Property of \$183.5 million as assessed by Savills Valuations Pty Ltd at 30 November 2012.



Tenancy

Tenant	Lettable area	Initial lease term	Commencing net rent	Rent reviews	Option
Coles Group Limited	81,026sqm	20 years	\$14,553,933 per annum ¹	Annual rental increases of 2.75% for 20 years, then market review at commencement of any option term	Four further terms of five years

Note:

1. This figure represents 100% of the net rent payable by the tenant assuming the 2.75% rent increase on 30 May 2013 has occurred. The Fund will acquire 25% of the units in the Coles Distribution Centre Trust which retains a long-term leasehold interest in this Property.

Satisfies the Fund's investment criteria

The Coles Distribution Centre satisfies all of the Fund's investment criteria:

Investment Criteria	Coles Distribution Centre
Property type	✓ State of the art distribution centre of that was purpose built for Coles Group Limited, reaching completion in May 2008
Location	✓ The property is strategically situated within Perth Airport, approximately 13 kilometres east of the Perth CBD.
Tenant	✓ Coles Group Limited was acquired by Wesfarmers Limited in November 2007. Wesfarmers Limited has grown to be one of Australia's largest listed companies and employers.
Fund WALE	✓ 15.4 years remaining on 20-year initial lease at 31 December 2012
Property occupancy	✓ 100% committed occupancy
Development arrangements	✓ Construction was completed in May 2008.
Debt finance	✓ The provider of the Coles Distribution Centre debt facility, which is a major Australian bank, has given its written consent for the Fund to become a party to the existing Coles Distribution Centre debt facility should the Minimum Offer Amount be achieved.

Joint ownership

Upon the Fund's acquisition of a 25% interest, it will own the Property jointly with CIPF (50% interest) and DIF1 (25% interest) pursuant to the Coles Distribution Centre Unitholders Agreement. This agreement sets out the terms on which these entities hold the Property and includes the ability for the Fund in certain circumstances to sell up to 100% of the Property should it wish to realise its investment in the Coles Distribution Centre Trust. For more detail on the Coles Distribution Centre Unitholders Agreement, refer to section 9.6.

4.4. Future acquisitions

The Responsible Entity will look to acquire further prime-grade industrial properties for the Fund which satisfy the Fund's investment criteria.

Commercial & Industrial Property Pty Ltd

CIP is a specialist developer of commercial and industrial property throughout Australia, having completed over 700,000sqm of industrial space development. CIP has an experienced team with its senior management having, on average, 25 years of property industry experience.

Relationship with Charter Hall Group

The Fund may be able to acquire further properties from CIP in future. Charter Hall Group has a long-standing commercial relationship with CIP, having acquired a number of properties from CIP and its joint venture parties. In June 2007, Charter Hall Group acquired a 50% ownership interest in CIP in order to leverage off CIP's industrial property experience and to provide a stronger investment pipeline for investment funds managed by members of Charter Hall Group.

Relationship with the Fund

The Fund is under no obligation to purchase properties developed by CIP and has an open mandate to purchase from other developers and industrial property owners. Likewise, CIP is under no obligation to develop properties for, or sell properties to, the Fund or Charter Hall Group. However, the Responsible Entity may acquire further properties from CIP subject to satisfying the Fund's investment criteria outlined in section 4.2.

However, as the Responsible Entity and the Manager are both members of Charter Hall Group and CIP is 50% owned by Charter Hall Group, the Fund and CIP are deemed to be associates. To reduce any conflicts of interest, when the Responsible Entity is making decisions regarding the acquisition of properties being sold or developed by CIP or any related party:

- ♦ valuations of the properties will be obtained from independent valuers;
- ♦ the Total Consideration payable and other terms of any acquisition will reflect normal commercial terms; and
- ♦ all directors of the Responsible Entity who are executives of Charter Hall Group will be required to abstain from voting on the proposed acquisition.

For further detail on related party transactions and conflicts of interest, refer to section 9.8.

DIF1 portfolio

The Fund follows the successful launch of DIF1 which raised close to \$120 million from investors. The Responsible Entity has utilised this equity, along with debt finance, to acquire seven industrial properties located across Sydney, Melbourne, Brisbane, Adelaide and Perth. As outlined in the table below, after completing its final acquisition, DIF1's portfolio will be valued at approximately \$208 million and benefit from full occupancy and a WALE of 12.8 years at 31 December 2012.

Property	Location	Interest acquired	Latest independent valuation of DIF1's interest \$'000	WALE (years)	Occupancy
Toll Fleet & Auto Logistics Centre	Altona North, Vic	100%	25,500	12.9	100%
Grace Worldwide Logistics Facility	Willawong, Qld	100%	31,950	10.6	100%
Australia Post Distribution Centre	Kingsgrove, NSW	100%	16,800	13.5	100%
Coles Distribution Centre ¹	Perth Airport, WA	25%	45,875	15.4	100%
Woolworths Distribution Centre	Hoppers Crossing, Vic	100%	39,650	8.1	100%
Coates Hire Distribution Centre ²	Kingston, Qld	100%	21,000	20.0	100%
Electrolux Distribution Centre ^{2,3}	Beverly, SA	100%	27,100	12.0	100%
Total /weighted average			207,925	12.8	100%

Notes:

1. Reflects valuation as assessed by Savills Valuations Pty Ltd as summarised in section 8.

2. Valuation, WALE and occupancy figures shown as at practical completion.

3. On 4 December 2012, DIF1 exchanged contracts to acquire this property with settlement scheduled to occur on 17 December 2012.

Risks



5. Risks

As with all investments, an investment in the Fund will be subject to risks, some of which are outside the control of the Responsible Entity, the Manager and their directors. If they eventuate, these risks may reduce or suspend your distributions from the Fund and/or reduce the capital value of your investment. Before deciding whether to invest in the Fund, you should consider your attitude towards the following, and other, potential risks.

The risks discussed below are not an exhaustive list.

It is the Responsible Entity's current opinion that the following are key risks of an investment in the Fund:

- ◆ property investment risks – including the risk that property values decline and the risk that there is a decrease in Fund income;
- ◆ fund investment risks – including the limitations on the liquidity of your investment, risks associated with properties under development, potential lack of diversification and gearing risk; and
- ◆ general investment risks – including that the economy and market conditions may affect asset returns and values.

These risks are outlined in more detail below. You should read this PDS in full before deciding whether to invest in the Fund and consider consulting your financial adviser, stockbroker or other professional advisers.

As well as considering the risks below, you should also consider how an investment in this product fits into your overall investment portfolio.

5.1. Property investment risks

These risks relate to direct investing in real estate:

Revaluation

The ongoing value of a property is influenced by changes in property market conditions including supply, demand, capitalisation rates and rentals.

There is no guarantee that Properties will achieve a capital gain on sale or that the value of Properties will not fall as a result of the assumptions on which the relevant valuations are based proving to be incorrect.

Property revenue

The Fund's target distribution income is largely dependent upon tenants paying rent in accordance with their lease terms. There is a risk that these tenants may default on the terms of their lease or that the Fund does not provide agreed minimum service standards, either of which could result in a reduction in rental income for the Fund, and additional expenses associated with re-leasing the tenancy or enforcement action.

Vacancy periods may have an adverse impact on the Fund's net income and distributions, Properties' capital values and potentially the NTA per Unit.

Market conditions

The purchase price and ongoing value of Properties are influenced by changes in real estate market conditions, such as increases in supply or falls in demand in any of the real estate market sectors, or a change in the capitalisation rates considered appropriate by valuers or otherwise generally applied in the market.

Property liquidity

Direct property investments are by their nature illiquid investments. It may be difficult for the Responsible Entity to dispose of Properties either prior to or at the conclusion of the investment term in a timely manner or at an optimal sale price. This may affect the Responsible Entity's ability to return capital to Investors and may reduce the NTA per Unit.

Capital expenditure

There is a risk that capital expenditure could exceed expectations, resulting in increased funding costs and therefore lower distributions.

Natural phenomena, terrorist attacks or force majeure events

There is a risk that natural phenomena, terrorist attacks or force majeure events may affect a Property. There are certain events for which insurance cover is not available or for which the Fund does not have cover. If the Fund is affected by an event for which it has no insurance cover, this would result in a loss of capital and a reduction to the NTA per Unit and overall Investor returns. An event of this type could also result in an increase in insurance premiums.

Property contamination

Property income or valuations of the Properties could be adversely affected by:

- ◆ discovery of an environmental contamination; or
- ◆ incorrect assessment of costs associated with an environmental contamination or with property preservation.

This risk may occur irrespective of whether the contamination was caused by the Fund or prior owners.

5.2. Fund investment risks

These risks relate specifically to an investment in the Fund:

Liquidity

The Fund does not allow any redemptions under normal circumstances, and Investors' investments are therefore illiquid. The Responsible Entity retains the right to provide some liquidity to Investors, and will advise Investors of its intention to do so and its policy for redemptions if it is able to or elects to provide liquidity.

Further, it may be that, following the Liquidity Event, the term of the Fund may be extended, resulting in a longer illiquid term of investment.

In addition, upon the Liquidity Event, there is no guarantee that the Responsible Entity will be able to fund the redemption or purchase of all redeeming Investors' Units.

Subject to relief being granted by ASIC, the Responsible Entity may implement a hardship withdrawal policy. For more detail on hardship liquidity, refer to section 9.11.

While Units may be transferred (refer to section 9.2), there will be no liquid secondary market for Units.

5. Risks (continued)

Development

There are risks associated with the Fund acquiring Properties prior to their practical completion.

With property development, there is a risk that there may be cost overruns in the construction. If there are cost overruns, then a Property would cost more than forecast to complete and additional capital or finance may need to be sourced by the Fund. In addition, there is a risk that the completion of a Property could be delayed due to the fault of a developer or other unforeseen events. If a Property is not completed on time, a tenant will not begin paying rent when expected and may have a right to terminate its leasing agreements and/or seek damages. There is also a risk that a developer is unable to complete a development and that the Responsible Entity cannot find a replacement developer to finalise construction of a Property.

For details on the development of the Australia Post Distribution Centre and arrangements in place to reduce the risks associated with the development of it, refer to sections 4.3 and 9.4.

Diversification

Generally, the more diversified a portfolio, the lower the impact that an adverse event affecting one property or lease will have on the income or capital value of an investment.

There is a risk that the Responsible Entity may not be able to source future properties for the Fund with appropriately diversified geographic locations and tenants which satisfy the Fund's investment criteria.

While the Fund will begin with two Properties, the Responsible Entity is seeking to grow and diversify the Fund by acquiring a \$200 million portfolio of industrial properties located in a number of locations across Australia.

Gearing

The Fund is a geared investment product. Gearing will magnify the effect of any movements in the value of Properties.

There is a risk that the Fund may not be able to obtain debt finance required to acquire assets for the Fund. To the extent that an acquisition might be funded by a greater proportion (up to 100%) of equity, this may dilute returns to Investors.

A breach of a debt facility covenant may also result in a debt financier enforcing its security over the relevant assets. The financier may require repayment of the facility, possibly prior to its expected expiry. This could result in an early sale of a Property at a less than optimal sale price, for instance, in a depressed market; additional equity being required; or distributions being reduced or suspended to be used to repay borrowings.

If borrowings are refinanced, the terms (including fees and the interest rate margin payable) may be less favourable than those applying to the prevailing borrowings.

Interest rates

There is a risk that a debt facility or an interest rate hedge (i.e. fixing the interest rate) may not be available on the same terms upon extension or refinancing, or when new finance or hedging strategies are sought.

There is also a risk that interest rates may rise.

These risks may have a material, adverse impact on the Fund's activities, financial position and distributions.

Conflicts of interest

The Fund may be affected by certain inherent conflicts of interest, including those described in section 9.8. There is a risk that these conflicts may not be managed appropriately.

The Fund may acquire properties from CIP in future. For detail on the procedure to be followed when the Fund is making decisions regarding the acquisition of assets from CIP or any other related party, refer to section 4.4.

Control

To secure the Australia Post Distribution Centre, the Underwriter subscribed for Acquisition Units. During the period until Units are issued to third party Investors, the Underwriter may hold a significant controlling interest in the Fund and be able to control the outcome of a vote on many matters submitted to a vote of Investors. However, in accordance with the Corporations Act, any member of Charter Hall Group will not be able to vote on matters where it has an interest in the matter other than simply as an Investor.

In addition, if an amount equal to or greater than the Minimum Offer Amount but less than the Initial Offer Amount is raised by 30 June 2013, the Underwriter has agreed to provide up to \$11 million to secure the Fund's investment in the Coles Distribution Centre. If the underwrite is not fully repaid by 31 December 2014, the Underwriter could require the Fund to sell assets and apply sufficient sale proceeds to repay the outstanding amount of the underwrite. For more detail regarding the underwriting arrangements, refer to section 9.7.

Investors should note that the Responsible Entity does not anticipate that a member of Charter Hall Group will have a controlling interest in the Fund after the Initial Offer Amount is raised (refer to section 2.1).

Unit Price

The Unit Price is likely to be above the NTA per Unit during the Investment Period.

For instance, as set out in section 7.3, if only Ordinary A Units are issued to achieve the Minimum Offer Amount, the initial effective NTA per Ordinary Unit will be \$0.93. However, as holders of Ordinary A Units will benefit by receiving, from the Fund, for every 10,000 Units they subscribe for, an additional 200 bonus Units, these Investors will have an effective NTA per \$1.00 invested of \$0.95 based on the assumptions in section 7.3. Unitholders who acquire units after the Minimum Offer Amount is raised will not have the benefit of the bonus units.

Joint ownership

The investment in properties where there is more than one owner, such as the Coles Distribution Centre, may result in additional investment risks. This could include disputes over how the property is managed, funding for capital expenditure from all joint venture owners and the sale of an interest in the Coles Distribution Centre Trust of less than 100%. For more detail on the joint ownership arrangements, refer to section 9.6.

Fund Listing or Merger

The Constitution allows the Responsible Entity to list the Fund or implement any Fund Merger, acquisition or takeover without member consent or approval.

5.3. General investment risks

These risks relate to the overall risk of most investments:

Economy and market conditions

There is the risk that changes in the economy and market conditions may affect asset returns and values, which in turn result in reduced distributions and may decrease the NTA per Unit.

The overall investment performance of the Fund may be affected by changing economic or property market conditions. These may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies.

Insurance

Any losses incurred due to uninsured risks may adversely affect the performance of the Fund. Increases in insurance premiums may also affect the performance of the Fund. Insurance premium increases could occur, for example, if the Fund claims under any insurance policy for significant losses in respect of the Properties. Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect the Fund's ability to make claims under its insurance. Also, most insurance policies have a minimum excess.

Litigation

In the ordinary course of operations, the Fund may be involved in disputes and possible litigation. These include tenancy disputes, environmental and occupational health and safety claims, industrial disputes, native title claims, and any legal claims or third party losses. It is possible that a material or costly dispute or litigation could affect the value of the assets or expected income of the Fund.

Legal and regulatory matters

There is the risk that changes in any law, regulation or government policy affecting the Fund's operations (which may or may not have a retrospective effect) have an effect on the Properties and/or the Fund's performance.

Taxation

Changes to taxation law and policy might adversely impact the Fund and Investors' returns. Investors are advised to seek professional taxation advice in relation to their own position; however, it is not possible to predict future changes to taxation law or policy.

Fees and Other Costs



6. Fees and Other Costs

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on long-term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable.

Ask the Fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

6.1. Fees associated with an investment in the Fund

The table below shows fees and other costs that you may be charged. These fees and costs may be deducted from the money you invest, from the returns on your investment or from the Fund's assets as a whole. Information on taxation is set out in section 9.1. The fees set out below show the net effect of GST (i.e. inclusive of 10% GST less any input tax credits, including reduced input tax credits). You should read all the information about fees and costs as it is important to understand their impact on your investment.

Fees when your money moves in or out of the Fund

Type of fee or cost	Amount	How and when paid
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee¹ A fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee A fee on each amount you take out of your investment	Nil	Not applicable
Termination fee The fee to close your investment	Nil	Not applicable

Note:

1. Direct Investors may elect to pay their adviser a professional fee for service. For more detail, refer to section 6.2.

Management costs

Type of fee or cost	Amount	How and when paid
Management costs The fees and costs of managing your investment ¹	Estimated at 0.80% per annum of the GAV. ² This comprises: <ul style="list-style-type: none">◆ the base management fee of up to 0.60% per annum of the GAV; and◆ fund expenses, estimated to be 0.20% per annum of the GAV.	The base management fee is payable monthly in advance and is deducted directly from the Fund's assets. Expenses are deducted directly from the Fund's assets as they are incurred.

Note:

1. For a description of the fees and costs comprising management costs, refer to section 6.2.

2. Assuming a 45% gearing ratio, this equates to an indirect cost ratio of up to 1.45% per annum of the NAV.

Service fees

Type of fee or cost	Amount	How and when paid
Investment switching fee The fee for changing investment options	Nil	Not applicable

6. Fees and Other Costs (continued)

Example of annual fees and costs

The table below gives an example of how the fees and costs for this product can affect your investment over a one-year period.¹ You should use this table to compare this product with other managed investment products.

Example	Balance of \$50,000 with a contribution of \$5,000 during the year	
Contribution fee	Nil	You will not be charged a contribution fee.
PLUS management costs		For every \$50,000 you have invested in the Trust, you will be charged \$727 per annum. ^{1,2,3}
◆ base management fee; plus	0.60% per annum of the GAV; plus	
◆ trust administration expenses	0.20% per annum of the GAV	
EQUALS cost of the Fund		If you had an investment of \$50,000 at the beginning of the year and you invested an additional \$5,000 during that year, you would be charged between \$727 and \$800 for that year. ^{1,2,3}

Notes:

1. Additional fees may apply in a given year including performance fees, acquisition fees and disposal fees. For more detail, refer to section 6.2.

2. This calculation assumes the Fund has a 45% gearing ratio.

3. This does not include any additional fees or expenses you elect to pay your adviser.

6.2. Additional explanation of fees and costs

Under the Constitution, the Responsible Entity is entitled to all of the fees and expenses described in the tables in section 6.1 and in this section 6.2. The Responsible Entity will in turn pay the Manager in consideration for services provided by the Manager under the Asset Services Agreement.

For example, the Responsible Entity is entitled to receive a base management fee under the Constitution, and it will pay an amount equal to that fee to the Manager in accordance with the Asset Services Agreement.

The same applies in respect of any performance fee, acquisition fee or disposal fee payable to the Responsible Entity under the Constitution.

All fees payable to the Manager under the Asset Services Agreement will be paid by the Responsible Entity out of its own funds. If for any reason the Manager is unable to perform its services under the Asset Services Agreement and those services are carried out by the Responsible Entity, the Responsible Entity can retain these fees as it will not be required to pay them to the Manager.

Ongoing management costs

Base management fee

The Responsible Entity (and in turn, the Manager) is entitled to a base management fee of up to 0.60% per annum of the GAV. This is the maximum base management fee that the Manager may charge under the Constitution. If the Manager waives or defers payment of all or part of its base management fee for any period, the fees will accrue until paid.

Fund expenses

The Responsible Entity (and in turn, the Manager) is entitled to be reimbursed for all reasonable outgoings and disbursements in connection with the proper performance of its duties and obligations in operating the Fund. Fund expenses recovered may, for example, include those relating to postage, printing, accounting services, auditing services, legal services, valuations, external Fund research, maintaining the Investor register, IDPS investment menus and custody services.

As it is not possible to determine the quantum of fund expenses which may be incurred, the Responsible Entity has estimated that expenses incurred by it and the Manager will be 0.20% per annum of the GAV.

Performance fee

The Responsible Entity (and in turn, the Manager) will be entitled to a performance fee of 15% of the portion of the outperformance of the Fund over an IRR of 10% per annum.

The first performance fee calculation period will be from the first Allotment Date to the earlier of the conclusion of the Fund's initial seven-year term and the wind up of the Fund.

If the Fund is continued into an Extension Period, any performance fee will be payable and accrued in the Unit Price at the conclusion of the initial seven-year term and will be calculated based on the assumption that an amount equal to the NAV (reflecting anticipated future disposal costs for all remaining Properties) was paid to Investors. The IRR calculation will reset so that the next calculation period will be from the beginning of the Extension Period to the wind up of the Fund.

In addition, if, at any time, CHDPML is removed as the responsible entity of the Fund, the Fund is listed on the ASX, a scheme or other arrangement affects the Fund whereby Investors holding greater than 80% of the Units on issue dispose of those Units, or the performance fee provisions in the Constitution are amended without the consent of the Responsible Entity, the performance fee will become payable (if owing) and will be calculated based on the assumption that an amount equal to the Unit Price multiplied by the number of Units on issue or the scheme or other arrangement consideration (as the case may be) was paid to Investors.

This example is provided for information purposes only to illustrate the calculation of the performance fee. Actual results may vary significantly from those in this example.

For example, if the Fund:

- ◆ raised \$50 million at \$1.00 per Unit on the first Allotment;
- ◆ paid a distribution per annum of 9.0 cents per Unit for seven years (representing total distributions to Investors of \$4.5 million per annum); and
- ◆ returned \$1.20 per Unit at its wind up (representing \$60 million),

then the Fund equity IRR based on these series of cash flows is calculated to be 11.0% per annum. The outperformance amount above the hurdle IRR of 10% per annum would be \$5.22 million, being the amount that, if included in the Fund IRR cash flows as an outflow at the wind up of the Fund reduces the Fund IRR to 10% per annum.

Therefore, the performance fee payable would be \$0.783 million (being 15% of \$5.22 million for the Fund, or \$0.01566 per Unit).

Applying this example to an Investor with an initial \$50,000 investment, he or she would have received aggregate distributions of \$31,500 for the seven years and a capital return of \$59,217 after deducting \$783 for his or her share of the performance fee.

Additional information and other fees and costs

Acquisition fee

The Responsible Entity (and in turn, the Manager) is entitled to an acquisition fee of up to 2% of the Total Consideration payable for any direct or indirect interest in a Property acquired by the Fund.

For example, if a Property is acquired by the Fund for Total Consideration of \$20 million, then the Manager is entitled to an acquisition fee of \$0.4 million.

Disposal fee

The Responsible Entity (and in turn, the Manager) is entitled to a disposal fee of up to 2% of the gross sale price of any Property, held directly or indirectly, which is either sold by the Fund or held by the Fund if it is listed on the ASX. The disposal fee will only be charged once in respect of a Property.

The Manager will pay any selling fees payable to real estate agents engaged by the Manager in connection with the sale out of the Manager's disposal fee.

For example, if a Property is sold for \$25 million, then the Manager is entitled to a disposal fee of \$0.5 million out of which any selling fees payable to real estate agents must be paid.

Services fees

The Responsible Entity may also seek services for the Fund from service providers, including related parties. The fees for these services will be charged at normal commercial rates to the Fund and are subject to the approval of the Responsible Entity's independent directors. For a breakdown of such fees already paid in respect of the Offer, refer to section 7.2. For more detail on the Responsible Entity's related party transactions policy, refer to section 9.8.

Operational costs

These costs are associated with maintaining Properties and other assets and are a cost of the Fund – they include land tax, rates, insurance and repairs costs (to the extent they are not recoverable from tenants).

Form of payment of fees

Fees may be paid to the Responsible Entity and/or Manager as cash or in the form of Units.

Adviser remuneration

The Responsible Entity does not pay any amounts to advisers. Direct Investors may direct the Responsible Entity to pay their adviser a professional fee for service of up to 3% (including GST) of their Application Amount for Units issued under the Offer or an agreed dollar amount. This will be deducted from their Application Amount and then paid on their behalf to their adviser following Allotment of the Minimum Offer Amount.

The net amount of their Application Amount, after deducting the professional fee for service, will be invested into the Fund. For example, if a Direct Investor invests \$50,000 in the Fund and directs the Responsible Entity to pay their adviser a professional fee for service of 2%, the adviser will receive \$1,000 and the remaining \$49,000 will be invested in the Fund with any GST applicable paid by the Responsible Entity to the adviser.

There is no trail commission payable to advisers.

Different fees to Wholesale Clients and intermediaries

The Responsible Entity and/or the Manager may also rebate a portion of its fees to, or agree lower fees with, certain Wholesale Clients. This is because they invest larger amounts of money into the Fund. In effect, this means they pay lower fees.

Taxation

Taxation information is in section 9.1. If the Responsible Entity or Manager becomes liable to pay GST on fees not described in this PDS as GST inclusive, they are entitled to be reimbursed out of the assets of the Fund for the amount of GST.

Financial Information



7. Financial Information

7.1. Target distribution

Assuming the Minimum Offer Amount is achieved, the target average annualised distribution to Investors holding Ordinary Units is 8.0 cents per Unit for the initial two years of the Fund's term. The Responsible Entity aims to grow the rental income of the Fund by targeting industrial properties with long-dated leases to investment-grade tenants, fixed rental increases and minimal ongoing capital expenditure requirements. Distributions paid to Investors are expected to be primarily derived from rental income, but the Fund will also receive a return on Properties that are being developed in the nature of development coupons charged to the developer.

The Responsible Entity anticipates distribution payments will contain some proportion of tax-deferred income.

7.2. Sources and applications of funds

Initial sources and applications of funds

The initial sources and applications of funds are set out below:

	Notes	Pro forma at the Allotment of the Initial Offer Amount \$'000
Sources of funds		
Proceeds from the Offer	1	30,200
Proceeds from the Australia Post Distribution Centre debt facility	2	4,230
Total sources		34,430
Applications of funds		
Australia Post Distribution Centre	3	9,400
Interest in the Coles Distribution Centre Trust	4	23,375
Stamp duty		296
Acquisition fees	5	1,106
Other costs of the Offer	6	166
Working capital		87
Total applications		34,430

Notes:

1. For the purposes of this pro forma initial sources and applications of funds, it is assumed that the Initial Offer Amount is allotted as Ordinary A Units and that no further Units are issued. However, it is the Responsible Entity's intention to allot additional Units following the Allotment of the Initial Offer Amount. For more detail on the Initial Offer Amount and Allotment, refer to section 2.1. This amount may include proceeds from the issue of Ordinary A Units, Ordinary Units, Wholesale A Units, Wholesale Units and Acquisition Units; for detail on these classes of Units, refer to sections 9.12, 9.14 and 9.13 respectively.
2. For more detail on the Australia Post Distribution Centre debt facility, refer to section 2.5.
3. For the purposes of this pro forma initial sources and applications of funds, it is assumed that practical completion of the Australia Post Distribution Centre occurs prior to the Allotment of the Initial Offer Amount. The proceeds of the Offer may be used directly to pay the purchase price, or may be used to repay any finance provided by the Underwriter to secure the acquisition of the Property.
4. The Fund's 25% interest in the Coles Distribution Centre Trust being \$45.875 million less 25% of the drawn debt of the Coles Distribution, being \$22.5 million, and assuming nil other Coles Distribution Centre Trust net assets and liabilities (i.e. it has been assumed that the existing hedging contract is reset such that the mark-to-market value is zero). The proceeds of the Offer may be used directly to pay the purchase price, or may be used to repay any finance provided by the Underwriter to secure the acquisition of the Property.
5. For more detail on the acquisition fees, refer to section 6.2.
6. These costs include costs of professional advisers, printing production, debt establishment fees, debt arrangement fees payable to related parties of the Responsible Entity totalling \$16,920 and other aspects of the Offer.

Ongoing sources and applications

It intended that proceeds received under the Offer beyond the Initial Offer Amount, together with debt finance, will be used to acquire additional Properties.

Gearing may be temporarily higher than the 45% target gearing, but no greater than 50%, in order to settle property acquisitions with subsequent proceeds from the Offer used to bring gearing back in line with the 45% target gearing. Similarly, during the Investment Period, equity raised may be used to repay debt finance that may ultimately be redrawn upon settlement of a Property acquisition which may result in the gearing ratio of the Fund being below the target level of 45%.

From time to time, the Fund may also hold funds in cash or money market securities ahead of Property acquisitions or for working capital.

7. Financial Information (continued)

7.3. Initial Net Tangible Assets and gearing

The below table assumes the Initial Offer Amount is achieved by issuing Ordinary A Units and practical completion of the Australia Post Distribution Centre has occurred in line with the initial sources and applications of funds table in section 7.2:

	Notes	Pro forma at the Allotment of the Initial Offer Amount \$'000
Assets		
Cash		87
Australia Post Distribution Centre	1	9,400
Interest in the Coles Distribution Centre Trust	2	23,375
Total assets		32,862
Liabilities		
Borrowings	3	(4,230)
Total liabilities		(4,230)
Net Tangible Assets		28,632
Proceeds from the Offer	4	30,200
NTA per \$1.00 invested	5	\$0.95
Units on issue ('000)	6	30,804
NTA per Unit	7	\$0.93
Gearing	8	12.9%
Look-through gearing	8	48.3%

Notes:

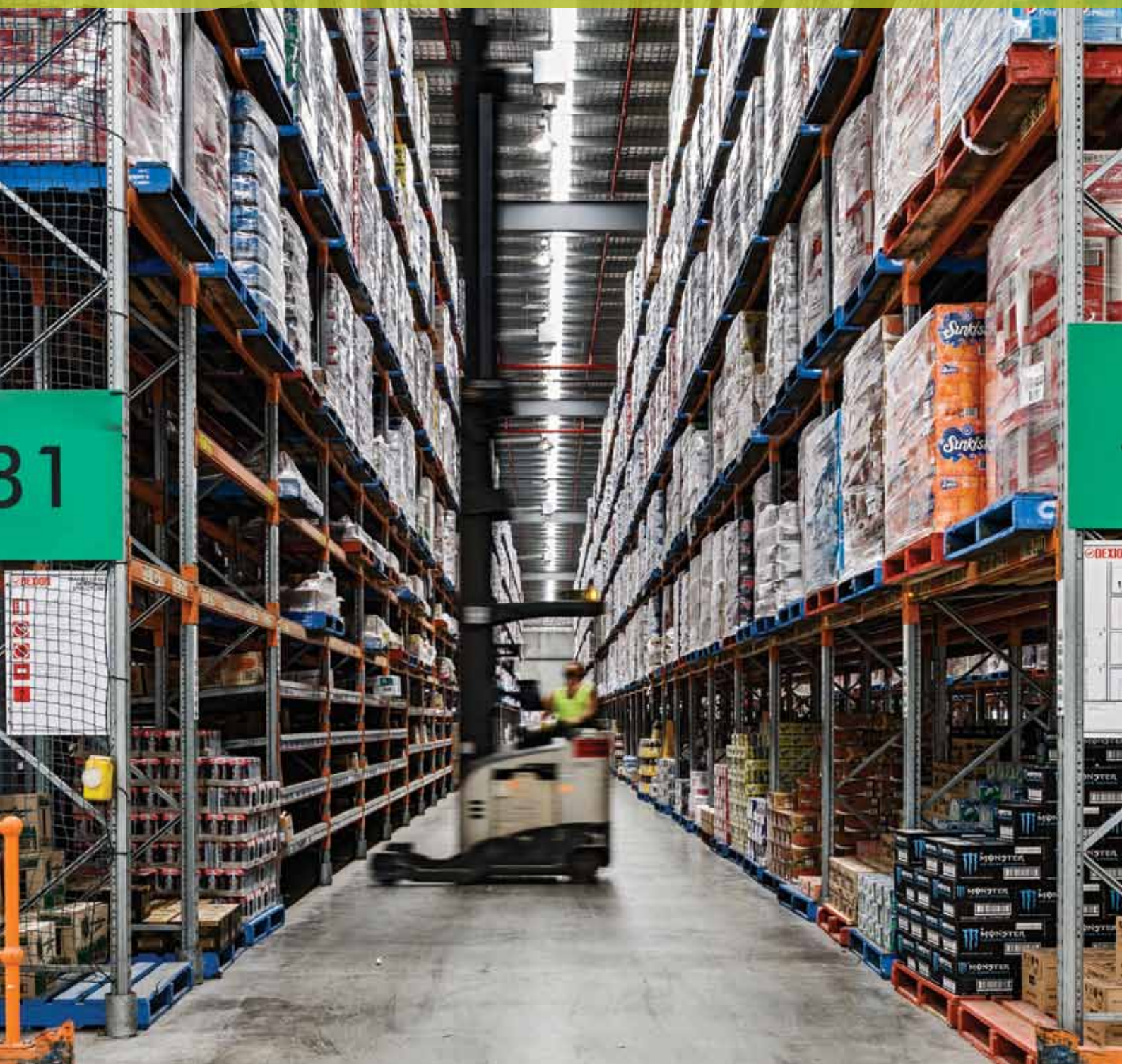
1. The fair value assessed by Savills Valuations Pty Ltd on an 'as if complete' basis as set out in section 8.
2. The Fund's 25% interest in the Coles Distribution Centre Trust being \$45.875 million less 25% of the drawn debt of the Coles Distribution, being \$22.5 million, and assuming nil other Coles Distribution Centre Trust net assets and liabilities (i.e. it has been assumed that the existing hedging contract is reset such that the mark-to-market value is zero).
3. The estimated drawn amount under the Australia Post Distribution Centre debt facility. For more detail on the Australia Post Distribution Centre debt facility, refer to section 2.5.
4. This represents the Initial Offer Amount.
5. This is the effective NTA per \$1.00 invested for holders of Ordinary A Units who do not pay their adviser a professional fee for service. Calculated as NTA divided by proceeds from the Offer.
6. This assumes that the Initial Offer Amount is achieved by only issuing Ordinary A Units and, therefore, equals the Initial Offer Amount multiplied by 1.02, as under the limited offer for every 10,000 Units subscribed for, Investors will receive, from the Fund, 200 bonus Units (i.e. effectively 10,200 Ordinary A Units for every \$10,000 invested).
7. Calculated as NTA divided by Units on issue.
8. Calculated in accordance with ASIC Regulatory Guide 46 as the ratio of borrowings to total assets. For more detail, refer to section 2.5.

Following the conclusion of the limited offer of Ordinary A Units, based on the assumptions in section 7.3, the effective NTA is anticipated to be \$0.93 per Ordinary Unit. As holders of Ordinary A Units will benefit by receiving, for every 10,000 Units they subscribe for, an additional 200 bonus Units, these Investors will have an effective NTA per \$1.00 invested of \$0.95. However, persons who invest after the limited offer expires should note that the limited offer of Ordinary A Units is expected to on its conclusion to have reduced the NTA per \$1.00 invested by approximately \$0.02 per Unit.





Independent Valuations of the Initial Property Portfolio



8. Independent Valuations of the Initial Property Portfolio



30 November 2012

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The Directors
Charter Hall Direct Property Management Limited
Level 11
333 George Street
Sydney NSW 2000

Ref: 11773

Dear Directors

Property: 15-21 Enterprise Drive, Rowville, Victoria

We refer to your instructions requesting a Market Valuation on an "As If Complete" basis of the freehold interest, of the abovementioned property as at 30 November 2012. We understand that the valuation is required for acquisition, financial reporting and first mortgage security purposes. We have prepared a comprehensive format valuation report which is available upon request from Charter Hall (Ref: 11773). The following is a summary of that report which has been prepared for inclusion in a Product Disclosure Statement (PDS). Parties seeking detailed information of our valuation should refer to our full valuation report held by Charter Hall.

We have been provided with a site plan, design brief and an executed Agreement for Lease with attached unexecuted Lease Agreement (which will be executed upon completion of the final improvements) in relation to the above-mentioned property on an "As If Complete" basis. We have undertaken a physical inspection of the site.

Our assessment of value is undertaken in accordance with the Australian Property Institute's adopted definition of Market Value as follows:

'The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.'

We provide the following "As If Complete" definition adopted by the Australian Property Institute:

'The Value 'As if Complete' assessed herein is the Market Value of the proposed improvements as detailed in the report on the assumption that all construction had been satisfactorily completed in all respects at the date of this report. The valuation reflects the valuer's view of the market conditions existing at the date of the report and does not purport to predict the market conditions and the value at the actual completion of the improvements because of time lag.'

8. Independent Valuations of the Initial Property Portfolio (continued)



We have been provided with an executed Agreement for Lease with Australand C&I Land Holdings Pty Ltd to develop the proposed facility. We note that a Lease Agreement is attached to the rear of the Agreement for Lease which will be executed upon actual completion of the final improvements. It is a critical assumption of this report that this takes place.

The proposed tenancy details are summarised as follows:

Australian Postal Corporation	
Demised Premises	Volume 11179 Folio 494 and Volume 11179 Folio 495 being Lots 7 and 8 on Plan of Subdivision No. 609622V.
Lease Status	Executed Agreement for Lease.
Lease Commencement	4 April 2013 (Date for practical completion).
Lease Term	Fifteen (15) years.
Lease Option	Two (2) further terms of five (5) years.
Initial Base Rent	\$705,012 net p.a. (\$109/m ²).
Base Rent Review	Annual 3.25% increases with a market review at commencement of any further term.
Outgoings	The Lessee is responsible for all the usual outgoings.
GST	Lessee to pay GST on all taxable supplies, including rent and outgoings.

As per the provided design brief, upon completion the front office accommodation will be set over two levels and accessed from the front car park via an air lock entry. The accommodation to the ground floor offices will consist of a large open plan area with male and female amenities including change rooms with locker facilities servicing the ground floor along with disabled amenities and a first aid and cleaners room. Front and rear staircases along with a passenger lift will provide access to the first floor offices. The first floor offices will be of similar open plan layout to the ground floor while also including male, female and disabled amenities.

The attached rear warehouse accommodation will have one row of structural columns running east-west with warehouse loading access to the northern boundary via one at-grade roller shutter door which has canopy coverage. Further warehouse loading access will be available via a recessed loading dock which will be located within the warehouse roofline to the north. Internal warehouse clearance will be from approximately 7.5 metres to the springing height rising to approximately 9 metres at the apex. Truck hardstand which provides site and warehouse access will be located to the site's north-eastern boundary with an extensive staff / visitor car park to the site's north-western boundary

Additional on site improvements include a pump house and sprinkler irrigation tank.

The proposed break up of the building areas is provided as follows:

Accommodation	Lettable Area
Office	600m ²
Warehouse	5,766m ²
Warehouse Office	102m ²
Canopy	67m ²
Total Gross Lettable Area (GLA) (*)	6,468m²

(*) excludes canopy



The property will occupy a site of 15,334m² to the south western side of Enterprise Drive mid way through Stamford Business Park. Surrounding development within Stamford Business Park comprises of vacant 'Business 3' zoned allotments and smaller modern office warehouse facilities. In general terms the property will occupy an established mixed use precinct, situated amongst a predominantly residential area approximately 25 radial kilometres south-east of the Melbourne Central Business District and is within the Local Government Area administered by the Knox City Council.

In undertaking our market assessment, we have made a number of assumptions which we detail within the following table:

Rental Assumptions	
Tenancy	We have predicted our valuation advice on the basis of the executed Agreement for Lease.
Covenant	Australian Postal Corporation.
Market Rental Assessment	\$705,012 net p.a. calculated as follows: Office @ \$175/m ² Warehouse @ \$101/m ² Warehouse Office @ \$150/m ² Canopy @ \$30/m ²

Adopted Valuation Figures	
Net Commencing Market Income	\$705,012 p.a.
Net Commencing Passing Income	\$705,012 p.a.
Adopted Cap Rate	7.50%
Discount Rate	9.50%
Terminal Yield	8.25%
Ten Year Market Growth	3.35% average
Acquisition Costs	5.60% of purchase price
Disposal/Selling Costs	1.00% of selling price

We have had regard to a range of rental and sale transactions in undertaking a market assessment which we retain on file.

Valuation Assessment

We have capitalised the estimated market rent of \$705,012 net p.a. at 7.50% to arrive at a total assessment of \$9,400,160. Our Discounted Cash Flow (DCF) calculations indicate an assessment of \$9,397,989 at a discount rate of 9.50%.

Our adopted market assessment of **\$9,400,000** reflects a Passing Initial Yield of 7.50%, an Equated Market Yield of 7.50%, a 10 year Internal Rate of Return (IRR) of 9.50% and a Building Value Rate of \$1,453/m² of GLA.

We estimate the Market Value of the subject property, subject to the details referred to herein and our full valuation report, to be:

\$9,400,000 (*)

(Nine Million Four Hundred Thousand Dollars)

(*) This valuation amount is exclusive of Goods and Services Tax

8. Independent Valuations of the Initial Property Portfolio (continued)



DCF Qualifications

We draw your attention to the fact that the DCF analysis is based on projections considered in the light of available data. However, the market conditions will change over time influenced by internal and external factors against which a review of assumptions may be warranted. For this reason, we stress that reliance upon such projections must be made with full acceptance of their limited reliability and with due consideration of the commercial risks related to such forecasts. In particular, we stress the DCF exercise referred to herein has been undertaken for the sole purpose of assisting in the determination of the current market value of the property and we make no guarantees or warranty as to the accuracy of future rental income stream projections insofar as they relate to market rental movements.

Liability Disclaimer

Savills has prepared this letter and the format valuation based upon information made available to us at the date of valuation. We believe that this information is accurate and complete, however we have not independently verified all such information. Savills is not providing advice about a financial product, nor the suitability of the investment set out in the PDS. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Savills does not, nor does the Valuer, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the property detailed in this report.

Savills has prepared this summary for inclusion in the PDS and has only been involved in the preparation of this summary and the valuation referred to therein. Savills specifically disclaim liability to any person in the event of any omission from, or false or misleading statements included in, the PDS, other than in respect of the Valuation and this summary.

This letter has been countersigned to verify the letter is issued by this Company. Any reliance upon this letter should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before-mentioned manner.

This Valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value are excluded as is liability where the valuation is relied upon after the date of the valuation.

We have assessed the market value of the property in accordance with the Market Value definition contained within this letter summary and our full valuation report. In the event that, having regard to current economic conditions, a sale was to occur in circumstances not reflecting that Market Value definition, the price realised may be at a substantial discount to the Market Value assessed.



Pecuniary Interest

We hereby certify that the Valuer and valuation firm does not have any direct, indirect or financial interest in the property or clients described herein that would conflict with the proper valuation of the property.

Savills Valuations Pty Ltd liability is limited by a scheme approved under Professional Standards Legislation.

Yours faithfully

Savills Valuations Pty Ltd

A handwritten signature in black ink, reading "Ross Smillie".

Ross Smillie AAPI
Certified Practising Valuer
Divisional Director
Valuation and Consultancy Division

A handwritten signature in black ink, reading "Robert Cunningham".

Robert Cunningham
Divisional Director
Valuation and Consultancy Division

The second Divisional Director signatory verifies that this letter advice is genuine, and issued by, and endorsed by Savills Valuations Pty Ltd. However the opinion expressed in this letter advice has been arrived at by the prime signatory.

8. Independent Valuations of the Initial Property Portfolio (continued)



30 November 2012

The Directors
Charter Hall Direct Property Management Limited
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Dear Directors

PROPERTY: 136 HORRIE MILLER DRIVE, PERTH AIRPORT, WA
DATE OF VALUATION: 30 NOVEMBER 2012

We refer to your instructions requesting a Market Valuation of the abovementioned property as at 30 November 2012 assuming the fixed 2.75% rental increase on 30 May 2013 has occurred. We understand that the valuation is required for acquisition, financial reporting and first mortgage security purposes. We have prepared a comprehensive format valuation report which is available upon request from Charter Hall (Ref: V12-3187). The following is a summary of that report which has been prepared for inclusion in a Product Disclosure Statement (PDS). Parties seeking detailed information of our valuation should refer to our full valuation report held by Charter Hall.

PROPERTY DESCRIPTION

The subject property comprises a large 25ha landholding improved with a modern, purpose built distribution facility situated within the Perth Airport Precinct approximately 13 km from the Perth CBD. The Perth Airport is a popular location for major distribution facilities including occupiers such as Coles Group Ltd, Woolworths Limited and Australian Postal Corporation. Improvements on the site total 81,647m² and were constructed for the Coles Group Ltd in 2008. Facilities comprise a main ambient distribution centre, adjoining temperature controlled chiller and freezer facilities, together with a main administration office and amenities building. Ancillary improvements include satellite offices, gate house and ancillary buildings. The property therefore constitutes a state of the art major distribution facility ideally suited to the current occupier's business. A summary of the gross lettable area (GLA) within the facility are as follows:



Liability limited by a scheme approved
under Professional Standards Legislation

136 Horrie Miller Drive, Perth Airport, WA
Date of Valuation: 30 November 2012
Valuation No: V12-3187



Description	Area (m ²)
Ambient Chamber	49,610.00
Chiller Room	17,037.00
Freezer	7,534.00
Gate House	51.00
Entry/Reception	46.00
Pump House	69.00
Switch/ Sub-station	552.00
Plant Room	468.00
Satellite Office 1 Ground	1,059.00
Satellite Office 1 1st Floor	561.00
Satellite Office 2 Ground	807.00
Satellite Office 2 1st Floor	396.00
Administration Office Ground	1,756.00
Administration Office 1st Floor	1,701.00
TOTAL	81,647.00

TENURE

The majority of the subject property is owned by Commonwealth of Australia with a small portion being owned by the State of Western Australia. Both parties have entered into broadly similar lease agreements with the Perth Airport Pty Ltd (formally Westralia Airports Corporation Pty Ltd) who in turn initially sub leased each portion of the subject land to Bieson Pty Ltd on a ground lease (Sub Leases) basis.

It is these Sub Leases originally granted to Bieson Pty Ltd that are the subject of this valuation.

We have been provided with copies of the various lease and sub lease documents pertaining to the abovementioned agreements.

The Bieson Pty Ltd Sub Leases have been granted for an initial terms of 40 years and 3 months and 1 day commencing 31 March 2007 and expiring 30 June 2047 with a further option of 49 years less one day expiring 29 June 2096. This is at no ongoing additional rental with the rental being paid by an initial up front rental payment.

8. Independent Valuations of the Initial Property Portfolio (continued)

136 Horrie Miller Drive, Perth Airport, WA
Date of Valuation: 30 November 2012
Valuation No: V12-3187



TENANCY OVERVIEW

Bieson Pty Ltd has developed a substantial distribution facility on the land and this has in turn been sub leased to Coles Group Ltd. The pertinent details of the sub lease to Coles Group Ltd are summarised as follows:

Coles Group Ltd	
Lessor	Bieson Pty Ltd
Demised Premises:	That portion of Lease G520495 identified as subject L on Deposited Plan 49657 and being part of several Certificates of Title.
Commencement:	30 May 2008
Lease Term:	Twenty (20) years
Option Term:	Four further terms of five (5) years
Initial Base Rent:	\$12,353,276.96 (\$151.30/m ²) net p.a.
Current Base Rent	\$14,553,933 at the next fixed review in May 2013.
Outgoings:	The tenant is responsible for all usual outgoings
Rent Review:	Annual increases of 2.75%. Market review at commencement of option period.
GST:	Payable by the tenant on all taxable supplies including rent and outgoings

We have notionally apportioned the rental to various component of the improvements as at 31 May 2013 and which we detail within the following table:

Tenant	Level / Suite	GLA (m ²)	Market Rent (/m ² p.a.)	Market Rent (p.a.)
Coles Group Ltd	Ambient Chamber	49,610.00	\$165	\$8,192,693
Coles Group Ltd	Chiller Room	17,037.00	\$190	\$3,237,030
Coles Group Ltd	Freezer	7,534.00	\$225	\$1,695,150
Coles Group Ltd	Gate House	51.00	\$150	\$7,650
Coles Group Ltd	Entry/Reception	46.00	\$150	\$6,900
Coles Group Ltd	Pump House*	69.00	\$0	\$0
Coles Group Ltd	Switch/Sub-station *	552.00	\$0	\$0
Coles Group Ltd	Plant Room	468.00	\$90	\$42,120
Coles Group Ltd	Satellite Office 1 Ground	1,059.00	\$180	\$190,620
Coles Group Ltd	Satellite Office 1 1st Floor	561.00	\$180	\$100,980
Coles Group Ltd	Satellite Office 2 Ground	807.00	\$180	\$145,260
Coles Group Ltd	Satellite Office 2 1st floor	396.00	\$180	\$71,280
Coles Group Ltd	Administration Office Ground	1,756.00	\$250	\$439,000
Coles Group Ltd	Administration Office 1st Floor	1,701.00	\$250	\$425,250
Total		81,026.00		\$14,553,933

* Not included in GLA



MARKET AND SALES COMMENTARY

Western Australia currently has the highest national rates of population growth rate and also the lowest unemployment rate as at August 2012. Continued growth in the resources sector is supported by more than \$220 billion worth of projects either committed or under consideration across the state. Consequently, demand for all classes of property from both occupiers and investors is reasonably strong. The Perth industrial market continues to be driven by the increased activity in the mining sector, with significant investment in resource projects around the state. The success of the resources sector has filtered through to construction and infrastructure markets. Recently, the announcement of the redevelopment of Perth Airport has seen a renewed vigor in turning Perth into a global city. As part of the project, the airport will have a \$300 million expansion with a new international terminal, improved transport links and increased capacity for future growth.

Demand for industrial property in Perth remains very strong and opportunities for new large distribution facilities are limited. Indeed, the number of such assets in the Perth market is very limited compared to the larger eastern states markets. Consequently there is growing evidence of increasing demand from investors desirous of obtaining exposure to the growing Perth industrial market which is driving yield compression, especially for those assets with strong covenant strength and long unexpired lease term. We table pertinent sales transaction of both large local and interstate industrial facilities below:

Interstate Property	Sale Price	Date	Lettable Area (m ²)	Passing Initial Yield	Equated Market Yield	IRR	WALE (years)	Building Value Rate (/m ²)
364-426 Old Geelong Rd, Hoppers Crossing Vic	\$39,325,000	May-12	52,364	8.13%	8.13%	9.89%	8.50	\$751
12-18 Distribution Dr, Laverton North Vic (50% share)	\$50,000,000	Aug-12	42,954	9.23%	8.91%	9.87%	9.62	\$2,328
Toll Facility, Berrina Qld (currently in due diligence)	\$84,500,000	Oct-12	44,058	7.56%	7.56%		15.00	\$1,918
Solaris, 8 Bassalt Rd, Greystanes Estate NSW	\$25,250,000	Jun-12	18,654	8.27%	8.02%	9.64%	8.91	\$1,354
Symbion, 5 Bellevue Ct, Greystanes Estate NSW	\$32,100,000	Jun-12	17,297	7.82%	7.68%	9.97%	13.58	\$1,856
Fujitsu, 6 Bellevue Ct, Greystanes Estate NSW	\$40,000,000	Jun-12	17,004	7.95%	7.95%	10.51%	14.16	\$2,352
UPS, 5 Bassalt Rd, Greystanes Estate NSW	\$7,800,000	Jun-12	5,437	8.92%	8.31%	10.03%	7.41	\$1,435
Brady, Precinct A, Greystanes Estate NSW	\$21,000,000	Jun-12	13,310	8.33%	7.95%	9.81%	10.00	\$1,578
39 Britton St, Smithfield NSW	\$13,250,000	Dec-11	13,390	10.05%	9.60%	10.97%	8.59	\$990
94-106 Lenore Ln, Erskine Park NSW	\$28,000,000	Jun-12	21,143	8.15%	8.15%	9.80%	6.83	\$1,324
Kraft, 19-39 Studley Ct, Derrimut Vic	\$21,450,000	Feb-12	23,455	8.28%	8.20%	9.19%	5.00	\$915
14-28 Ordish Rd, Dandenong South Vic	\$33,244,000	Jun-11	28,181	8.16%	8.16%	9.64%	8.75	\$1,180
35-61 South Park Dr, Dandenong South Vic	\$28,000,000	May-11	32,167	8.25%	8.29%	9.64%	7.33	\$870
Unit 3, 1464 Ferntree Gully Rd, Knoxfield Vic	\$31,500,000	Aug-11	21,987	9.02%	8.12%	9.67%	9.42	\$1,433

8. Independent Valuations of the Initial Property Portfolio (continued)

136 Horrie Miller Drive, Perth Airport, WA
Date of Valuation: 30 November 2012
Valuation No: V12-3187



Western Australia Property	Sale Price	Date	Lettable Area (m ²)	Passing Initial Yield	Equated Market Yield	IRR	WALE (years)	Building Value Rate (/m ²)
218 Bannister Rd, Canning Vale	\$61,500,000 (50% share)	Mar-12	104,317	8.78%	9.21%	10.86%	11.77	\$1,179
7-11 & 25-27 Gauge Ct, Canning Vale	\$22,000,000	Aug-12	21,506	8.16%	9.65%	11.76%	1.42	\$1,023
11 Excellence Dr, Wangara	\$4,850,000	Aug-12	3,449	8.45%	8.45%	9.72%	4.99	\$1,406
6 Forge St, Welshpool	\$4,375,000	Oct-12	2,465	8.00%	8.00%	9.54%	10.00	\$1,775
26 Rigali Way, Wangara	\$8,600,000	May-12	6,578	8.72%	8.24%	10.44%	n/a	\$1,307
210 Bannister Rd, Canning Vale (Vacant Possession)	\$9,800,000	Aug-12	9,955	0.00%	8.74%	10.28%	n/a	\$984
497 Kewdale Rd, Kewdale	\$11,100,000	Mar-12	6,979	8.12%	7.79%	9.31%	2.81	\$1,590
45 Stockdale Rd, O'Connor	\$7,000,000	Jan-12	6,862	1.26%	8.68%	10.00%	0.07	\$1,020
34 Vinnicombe Dr, Canning Vale	\$6,400,000	Nov-11	3,861	8.33%	8.50%	9.58%	4.21	\$1,658
115 Vulcan Rd, Canning Vale	\$5,950,000	Nov-11	8,373	9.14%	8.80%	10.11%	0.59	\$711
811 Abernethy Rd, Forrestfield	\$10,300,000	May-11	7,021	8.68%	8.24%	9.54%	n/a	\$1,471 ²

VALUATION ASSESSMENT

The valuation has been determined by reconciliation between the Discounted Cash Flow (DCF) approach, Direct Comparison approach and the Capitalisation of Net Income approach. This is an accepted range of valuation approaches for large industrial investment assets such as the subject. A summary of our valuation calculations is provided in the following table:

Valuation Assessment 'Assuming May 2013 Rent Review is in place'	
Net Market Income:	\$14,553,933 p.a. (\$14,435,250 after allowance for non recoverable)
Net Passing Income:	\$14,553,933 p.a. (\$14,435,250 after allowance for non recoverable)
Adopted Cap Rate:	8.00%
Discount Rate:	10.00%
Terminal Yield:	8.25%
Ten Year Market Growth:	3.16% average
Acquisition Costs:	5.20% of purchase price
Disposal/Selling Costs:	0.33% of selling price

We have capitalised the estimated market rent of \$14,435,250 net p.a. for the remaining leasehold period of 83.1 years at 8.00% to arrive at a total assessment of \$180,138,336. Our DCF calculations indicate an assessment of \$184,775,044 at a discount rate of 10.00%. Our adopted market assessment of \$183,500,000 reflects a Passing Initial Yield of 7.87%, an Equated Market Yield of 7.85%, a 10 year IRR of 10.11% and Building Value Rate of \$2,247/m² of GLA. We note that following arms length negotiations, a Heads of Agreement has been entered into at a purchase price of \$45,875,000 for a 25% share (\$183,500,000 100% equivalent).

136 Horrie Miller Drive, Perth Airport, WA
Date of Valuation: 30 November 2012
Valuation No: V12-3187



Considering this agreement and based upon the above valuation calculations summarised above, we have adopted a market value for the subject property of \$183,500,000, which is in line with the agreed purchase price.

DCF QUALIFICATIONS

We draw your attention the fact that the DCF analysis is based on projections considered in the light of available data. However, the market conditions will change over time influenced by internal and external factors against which a review of assumptions may be warranted. For this reason, we stress that reliance upon such projections must be made with full acceptance of their limited reliability and with due consideration of the commercial risks related to such forecasts. In particular, we stress the DCF exercise referred to herein has been undertaken for the sole purpose of assisting in the determination of the current market value of the property and we make no guarantees or warranty as to the accuracy of future rental income stream projections insofar as they relate to market rental movements.

LIABILITY DISCLAIMER

Savills has prepared this letter and the format valuation based upon information made available to us at the date of valuation. We believe that this information is accurate and complete, however we have not independently verified all such information. Savills is not providing advice about a financial product, nor the suitability of the investment set out in the PDS. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Savills does not, nor does the Valuer, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the property detailed in this report.

Savills has prepared this summary for inclusion in the PDS and has only been involved in the preparation of this summary and the valuation referred to therein. Savills specifically disclaim liability to any person in the event of any omission from, or false or misleading statements included in, the PDS, other than in respect of the Valuation and this summary. This letter has been countersigned to verify the letter is issued by this Company. Any reliance upon this letter should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before-mentioned manner. Savills Valuations Pty Ltd liability is limited by a scheme approved under Professional Standards Legislation.

This Valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value are excluded as is liability where the valuation is relied upon after the date of the valuation.

8. Independent Valuations of the Initial Property Portfolio (continued)

136 Horrie Miller Drive, Perth Airport, WA
Date of Valuation: 30 November 2012
Valuation No: V12-3187



VALUERS' INTEREST

We confirm that Savills Valuations Pty Ltd and the appointed Valuer, Mr Paul Bradstreet, do not have any pecuniary interest that would conflict with the proper valuation of the property and the valuation being made independently of Charter Hall Direct Property Management Ltd and/or its officers. Neither the Valuer nor Savills Valuations Pty Ltd are licensed to provide financial services and the information detailed herein (and the full valuation report) is not intended to provide advice on your investment decision.

VALUATION SUMMARY

We assess the 100% interest of the market value of the leasehold interest in 136 Horrie Miller Drive, Perth Airport, WA as at 30 November 2012 subject to the details and qualifications contained within our full report, to be as follows:

\$183,500,000 (*)

(One Hundred and Eighty Three Million Five Hundred Thousand Dollars)

() This valuation amount is exclusive of Goods and Services Tax.*

Prepared by Savills Valuations Pty Ltd

Per:

A handwritten signature in blue ink, appearing to read "P. Bradstreet".

Paul Bradstreet AAPI
Associate Director
Certified Practising Valuer
Licensed Valuer No. 39248
For the State of Western Australia

Per:

A handwritten signature in blue ink, appearing to read "Mark Foster-Key".

Mark Foster-Key AAPI FRICS
Divisional Director
Certified Practising Valuer
Licensed Valuer No. 44047
For the State of Western Australia

(The above signatories verify that this summary letter is genuine, and issued by, and endorsed by Savills Valuations Pty Ltd. The opinion expressed in this summary letter has been arrived at by the above signatories).



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Additional Information



9. Additional Information

9.1. Taxation

The taxation information provided below is a brief summary of some relevant tax considerations. The information has been prepared on the basis that Investors are Australian tax resident individuals who hold their Units on capital account. The information does not address the tax consequences that arise if an Investor holds Units on revenue account or as trading stock.

The taxation of a unit trust investment such as the Fund can be complex and may change over time.

This section 9.1 is not, and is not intended to be, tax advice. Accordingly, Investors are advised to seek professional tax advice in relation to their own position. The information below is based on existing tax law and practice as at the date of this PDS.

Taxation of the Fund

On the basis of its investment activities as set out in this PDS, the Fund should be subject to the ordinary 'flow-through' trust taxing provisions in the current income tax legislation.

The Responsible Entity will not generally be liable for Australian income tax, provided that Investors are presently entitled to all of the distributable income of the Fund in each income year ending 30 June. This is intended to be the case under the Constitution. The taxation liability, in respect of the taxable income of the Fund, will rest with the Investors.

Tax losses

As at the date of this PDS, the Fund has no carried-forward revenue or capital losses.

Where a revenue loss or net capital loss is incurred by the Fund, the loss cannot be passed on to Investors for tax purposes. Instead, revenue tax losses will be carried forward in the Fund and offset against assessable income derived by the Fund in future income years provided the Fund maintains a continuity of more than 50% of the ownership interests in the Fund. Net capital losses will be carried forward in the Fund and offset against future capital gains (there are currently no restrictions on carrying forward capital losses incurred by a trust).

Capital gains tax

The CGT discount rules operate such that where the Fund derives a capital gain in respect of an asset held for at least 12 months, it should be entitled to a 50% discount in the calculation of the taxable capital gain.

Managed investment trust rules

The Fund intends to make the appropriate election so that its eligible investment (i.e. real property) is taxed on capital account.

For the Fund to qualify as a managed investment trust in relation to an income year, it must satisfy a number of conditions including conditions relating to being widely held by Investors. The Responsible Entity believes the Fund will satisfy the conditions for it to be a managed investment trust including the widely held conditions, although final determination of this is possible only once the Investors are known.

Managed investment trust status generally provides favourable withholding tax rates for distributions from the Fund to Investors resident in certain foreign jurisdictions. If this applies to you, you should seek your own tax advice as it is not considered in this taxation information.

Taxation of Australian tax resident investors

Taxation of distributions

Investors should have a present entitlement to all of the distributable income of the Fund and as such, Investors will be liable to pay income tax on their share of the Fund's taxable income for each income year, at the tax rates applicable to the relevant Investor.

The assessable portion of trust distributions, as advised by the Responsible Entity on an annual basis, should be included in an Investor's assessable income in the income year to which the distribution relates (i.e. the year in which the Fund derives the income, not when it is physically received by the Investor).

Distributions by the Fund generally retain their source and character. For example, a capital gain derived by the Fund will be treated as a capital gain in the hands of the Investor. Distributions from the Fund may include various components, the taxation treatment of which may differ depending on the status of the Investor. For example, distributions may include tax-deferred amounts, CGT concession components and net capital gains.

Tax-deferred distributions

Tax-deferred distributions effectively represent the excess of the amount distributed by the Fund over the taxable component of those distributions.

The excess is sheltered from tax because of deductions such as capital works, depreciation on plant and equipment and other tax timing differences. Tax-deferred distributions are not immediately assessable when received by the Investor but will reduce the cost base of their Units. Therefore, tax-deferred distributions received affect the Investor's capital gain/loss on disposal of the Units. Once the Investor exhausts their cost base in the Units, the tax-deferred component of the distributions will give rise to an immediate capital gain.

CGT concession components

The CGT concession component of a distribution represents the component of a capital gain derived by the Fund which is not taxable by virtue of the CGT discount rules. The CGT concession component is not assessable when received by Investors. There will be no reduction to the cost base of the Units held by the Investor in respect of the CGT concession component of a trust distribution.

Net capital gains

A realised net capital gain distributed by the Fund should be included with an Investor's other capital gains and losses (i.e. in the calculation of their net capital gain or loss).

Where the distributed capital gain includes a discounted capital gain component, the Investor is required to 'gross up' that amount by the discount applied by the Fund (i.e. 50%). The nominal capital gain (i.e. the whole amount of the gain prior to discounting) is then included in the calculation of the Investor's net capital gain. The Investor may be entitled in their own right to a CGT discount if they are an individual, a trust or a complying superannuation entity (50% in the case of an individual or trust and 33 % in the case of a complying superannuation entity). Companies do not receive a discount on capital gains.

9. Additional Information (continued)

Redemption or sale of Units

Upon the redemption or sale of Units, Investors who dispose of their Units must include any realised capital gain or loss on disposal of the Units in the calculation of their net capital gain or loss for the income year. A net capital gain will be included in assessable income. A net capital loss may be carried forward until the Investor has realised capital gains against which the net capital loss can be offset (subject to any relevant loss recoupment rules). A net capital loss cannot be deducted against other assessable income for the income year.

An Investor's net capital gain or loss is calculated as follows:

- ◆ the Investor should make a capital gain to the extent that the capital proceeds from the redemption or sale exceeds the cost base of the Units;
- ◆ the Investor should make a capital loss to the extent that the reduced cost base of the Units exceeds the capital proceeds from the redemption or sale;
- ◆ broadly, the cost base (and reduced cost base) will include, amongst other things, the amount paid to acquire the Units and any incidental costs of purchase and sale (reduced by any tax-deferred distributions);
- ◆ if the Investor has held the Units for less than 12 months, this is the gain or loss included in the Investor's net capital gain calculation;
- ◆ if the Investor has held the Units for 12 months or more and there is a loss, this loss is included in the Investor's net capital gain calculation; and
- ◆ if the Investor has held the Units for 12 months or more and there is a gain, a discounting factor may be available to certain Investors. The gain on the Units is initially reduced by any other capital losses of the Investor. If, as a result, a net capital gain arises, it may be reduced by the discount factor. The discount factor for individuals and trusts is 50%, whilst a discount factor of 33.33% applies for complying superannuation entities.

Redemption of Units

Ordinary A Units and/or Ordinary Units may be redeemed if the Minimum Offer Amount is not raised prior to the Final Closing Date. If Ordinary A Units are redeemed, the same tax consequences as those discussed above apply, except that:

- ◆ the capital proceeds from the redemption of Ordinary A Units is equal to their Application Amount plus any accrued, but unpaid, distribution entitlements; and
- ◆ the acquisition date for the Ordinary A Units is the date the Investor is issued the Ordinary A Units.

Ordinary A Units and Ordinary Units

Upon the conclusion of the limited offer of Ordinary A Units, all Ordinary A Units on issue will have the same rights, and become, Ordinary Units. This will not result in any CGT event happening. The resulting Ordinary Units will have:

- ◆ the same acquisition date as the Ordinary A Units to which they relate; and
- ◆ the same cost base (and reduced cost base) as the Ordinary A Units to which they relate.

Taxation of financial arrangements

The taxation of financial arrangements rules can require the taxation of unrealised gains on financial arrangements. These rules do not apply to an interest in a managed investment scheme held by an individual. On this basis, the provisions will not apply to an Australian tax resident individual Investor in relation to their investment in the Fund.

GST

GST is not payable by Investors on the acquisition, transfer or redemption of Units. GST may apply to fees charged to Investors, such as fees charged by their advisers. Investors should obtain their own advice as to whether input tax credits can be claimed for such GST, as it will depend on their personal circumstances.

Australian Tax File Numbers and Australian Business Numbers

An Applicant need not quote a TFN when applying for Units. However, if a TFN is not quoted, or an appropriate TFN exemption is not provided, tax may be required to be deducted by the Responsible Entity from any distribution entitlement at the highest marginal tax rate plus Medicare levy (currently in total, 46.5%).

Tax reform

The Australian Government has announced a wide-ranging review of the tax treatment of trusts as well as managed investment trusts. Although the Australian Government has stated that it does not intend to change the broad policy framework for the taxation of trusts, the review may nonetheless result in significant changes to the tax laws.

Given the proposed reforms to the taxation of managed investment trusts and trusts generally, Investors should remain alert to any changes to the tax laws.

9.2. Summary of the Fund's constitution

The Constitution sets out, amongst other things, the rights attaching to the Units. Those rights are, in certain circumstances, also regulated by the Corporations Act and general law. The Constitution is available for inspection at the offices of the Responsible Entity. The following is a summary of some of the principal rights of Investors set out in the Constitution:

- ◆ Investors are entitled to receive notice of, and to attend and vote at, a general meeting of the Fund and to receive all notices, accounts and other documents required to be sent to Investors under the Constitution, the Corporations Act or the general law;
- ◆ each Investor present in person or by an attorney, representative or proxy at a general meeting of the Fund has one vote on a show of hands and one vote per dollar value of the total Units they have on a poll;
- ◆ the Responsible Entity may issue further Ordinary Units, and units in other classes (including Ordinary A Units, Acquisition Units, Wholesale A Units and Wholesale Units), for the Unit Price specified in the Constitution as described in section 2.5. Units in other classes may have preferential rights to those of Ordinary Units;
- ◆ Investors have no right to withdraw their investment in the Fund other than in accordance with the terms of a withdrawal offer made by the Responsible Entity. The Responsible Entity is under no obligation to make Investors a withdrawal offer. The Responsible Entity has 12 months to satisfy any redemption request made in respect of a withdrawal offer;
- ◆ Units may be transferred by a written document in the required form. The Responsible Entity may refuse to transfer Units without giving any reason;

- ◆ Investors will be entitled to participate in Fund distributions according to their rights and interests. Subject to rights attached to a particular class of unit, this means in proportion to their Unit holdings;
- ◆ if the Fund is wound up, Investors will be entitled to participate in any surplus Fund assets according to their rights and interests. Subject to rights attached to a particular class of Unit, this means in proportion to their Unit holdings;
- ◆ subject to law, the Responsible Entity has all the powers in respect of the Fund which it would have if it was the owner of the Fund's assets;
- ◆ the Constitution provides that the Responsible Entity will be entitled to be paid out of the income or capital of the Fund certain fees which are detailed in sections 6.1 and 6.2;
- ◆ the Responsible Entity has a right of indemnity out of the Fund's assets unless it has acted negligently, fraudulently, in breach of its obligations at law or in breach of trust; and
- ◆ the Responsible Entity, and its related bodies corporate, may hold Units and the Responsible Entity may contract with itself in another capacity, for example as responsible entity of another fund, and may contract with related parties for the provision of services to the Fund paid for by the Fund.

The Constitution allows the Responsible Entity to list the Fund on the ASX, staple the Fund to another trust or company or merge the Fund with, or be acquired by, another trust or company without Investor approval. Investors appoint the Responsible Entity as their agent and attorney to effect any such listing, stapling or merger.

9.3. Summary of the Asset Services Agreement

The Asset Services Agreement, between CHDPML and CHH, provides for the appointment of the Manager to perform certain services in relation to the ongoing operation of the Fund.

Asset management services

The asset management services to be provided by the Manager include:

- ◆ providing all services necessary to allow the servicing of Investors during the life of the Fund;
- ◆ providing all information necessary to allow the Responsible Entity to report to Investors on Fund performance quarterly or more often as required;
- ◆ managing surplus cash received by the Responsible Entity in respect of the Fund or an asset;
- ◆ preparing or causing to be prepared and issued, notices of Investor meetings;
- ◆ advising on the financial risk management policy for the Fund (including the management of cash flows, interest rate risk, and other related risks in addition to targeted gearing);
- ◆ liaising with existing and potential Investors;
- ◆ assisting in the resolution of complaints and disputes with Investors received by the Responsible Entity, and in litigation in which the Responsible Entity is involved; and
- ◆ providing such services to the Responsible Entity as it reasonably requires to discharge its functions in relation to the Fund.

Reporting

The Manager must provide the Responsible Entity with all information necessary to allow the Responsible Entity to satisfy its obligations to Investors, which arise under the Constitution.

The Manager will report to the Responsible Entity as soon as practicable with any information that would reasonably be expected to have a material effect on the value of any assets held by the Fund at any time.

Liability of the Manager

Neither the Manager nor any of its directors, officers, employees, agents or attorneys is responsible to the Responsible Entity for the financial performance of an asset of the Fund; for the effectiveness of the Asset Services Agreement; or for acting, or refraining from acting, in accordance with the instructions of the Responsible Entity, except to the extent that it is negligent or fraudulent, or they engage in wilful misconduct.

Fees

The Responsible Entity must pay (from its own funds) the Manager amounts equal to any base management fee, performance fee, transaction fee and disposal fee payable to the Responsible Entity in accordance with sections 6.1 and 6.2.

Termination and retirement

The Responsible Entity may terminate the Manager's appointment:

- ◆ at any time by giving 30 days' written notice to the Manager;
- ◆ by giving 30 days' notice, if Investors pass a resolution to remove the Manager; or
- ◆ immediately, if an insolvency event occurs in respect of the Manager.

The Manager may terminate the Asset Services Agreement:

- ◆ at any time by giving 90 days' written notice to the Responsible Entity;
- ◆ by giving 30 days' notice, if the Responsible Entity breaches any material obligation under the Agreement which remains unremedied for a period of 21 days; or
- ◆ immediately, if an Insolvency Event occurs in respect of the Responsible Entity.

CHH may retire as Manager under the Asset Services Agreement with the prior consent of the Responsible Entity. The Manager may nominate to the Responsible Entity, any other entity within Charter Hall Group to be the replacement manager and to provide the asset management services. Such appointment is not complete until the replacement manager and the Responsible Entity execute a new agreement.

9.4. Summary of the Development Agreement

Property

15-21 Enterprise Drive, Rowville Victoria

Developer

Australand Industrial Constructions Pty Limited

Trustee

Charter Hall Nominees Pty Ltd as trustee of CHDIF2 Rowville Trust

Developer guarantor

Australand Holdings Limited

Trustee covenantor

CHFML as responsible entity of Charter Hall Property Trust

Tenant

Australian Postal Corporation

9. Additional Information (continued)

Project costs

The developer is responsible for the payment of all project costs in the construction of the works and the completion of the works is entirely at the cost of the developer without any right of reimbursement or refund from the trustee except the development price.

Development price

The development price is the agreed initial investment price (\$9.40 million) less the land price (\$4.25 million).

Independent certifier

The trustee and the developer must appoint an independent certifier to undertake functions including, without limitation, certification of practical completion and progress claims.

Variations

The developer must not make a material variation without the consent in writing of the trustee.

Agreement for lease

The developer must ensure that the terms of the agreement for lease are complied with. The developer retains the right to any payments from the tenant under the agreement for lease excluding for the avoidance of doubt, the right to rent payments under the lease.

Default under agreement for lease

If prior to the commencement date of the lease, the agreement for lease is validly terminated for reason of:

- ◆ the developer breaching its obligations under the agreement for lease;
- ◆ the tenant exercising an express termination while under the agreement for lease unless as a result of breach or improper act or omission of the trustee;
- ◆ an unlawful act or omission of the developer;
- ◆ the tenant breaching its obligations under the agreement for lease;
- ◆ an unlawful act or omission of the tenant;
- ◆ the tenant's repudiation under the agreement for lease;
- ◆ an insolvency event occurring in respect of the developer; or
- ◆ the developer's repudiation under the agreement for lease,

then the developer must, within 20 business days of the date of termination of the agreement for lease, enter into a contract for sale to acquire the land at the land price plus the aggregate of any amounts paid by the trustee to the developer under the Development Agreement (ignoring any part of the site access fee set off against any such amounts), plus all reasonable costs and expenses incurred by the custodian in respect of external third parties in entering into the land sale contract including, without limitation, stamp duty and reasonable legal costs which amount, other than stamp duty, must not exceed \$100,000 (exclusive of GST) and any outstanding site access fee.

If the agreement for lease is validly terminated for reason of an insolvency event of the tenant, then the obligations of the developer and the trustee under the agreement are not affected such that the trustee takes on the insolvency risk of the tenant.

Defects liability period

There is an initial defects liability period of 12 months commencing on the date of practical completion plus, in relation to works carried out under the defects liability regime, a further period of 12 months for those works.

The developer is required to provide a bank guarantee in the amount of \$128,750 as security for the performance of the developer's obligations during the defects liability period.

Trustee's payment obligations

The trustee may pay the developer the development price by monthly progress payments in accordance with the agreement.

Developer to pay site access fee

The developer must pay to the trustee the site access fee for the access fee period.

The site access fee is calculated on a daily basis in accordance with the following formula:

$$\$Y = DP \times B$$

where:

- ◆ DP is the part of the agreed initial investment price which immediately before the date of the relevant payment has been paid by the trustee; and
- ◆ B is 8% per annum.

The site access fee for the development is payable by way of monthly set off against each monthly progress payment and as is necessary, the final payment of the development price.

Developer parent guarantee

The developer parent guarantor jointly and severally unconditionally and irrevocably guarantees to the trustee the due and punctual performance and observance by the developer of the developer's obligations.

Retention

On completion of the land sale contract the amount of \$257,500 will be withheld by the custodian as security for the performance of the developer's obligations under the agreement referable to the period before the date of practical completion.

Trustee covenantor's undertaking

The trustee covenantor unconditionally and irrevocably undertakes to the developer to lend money to the trustee on and from the date of the Development Agreement to the extent that insufficient funds are available to CHDIF2 Rowville Trust, in an amount and on terms and conditions to ensure, and until there has been, the due and punctual performance and observance by the trustee of the payment obligations.

9.5. Summary of the agreement for lease for the Australia Post Distribution Centre

Developer

Australand Industrial Constructions Pty Limited

Tenant

Australian Postal Corporation

Commencement date of lease

The lease commences on the later of:

- ◆ the next business day after practical completion; and
- ◆ 1 February 2013.

Practical completion

Practical completion is achieved when the independent certifier certifies that the developer's works are substantially complete except for minor omissions and defects which do not prevent the tenant carrying out the fit out or prevent the premises from being

reasonably capable of being used for their intended purposes without reasonable interruption or interference by the developer or the landlord and the tenant is provided with a copy of the occupancy permit.

The developer must use reasonable endeavours to achieve practical completion on or before the date for practical completion as extended under the agreement for lease.

Termination of the agreement for lease

If the developer's works are not completed on or by the sunset date (six months after the date for practical completion as extended), the tenant may terminate the agreement for lease.

If the developer's works are not completed by the date that is six months after the sunset date, the developer may terminate the agreement for lease.

The tenant has a right to extend the date for practical completion at any time in its absolute discretion.

Rent

The commencing rent is \$705,012 per annum (net of GST) and there is no right to adjust the rent under the agreement for lease.

9.6. Summary of the Coles Distribution Centre Unitholders Agreement

The Coles Distribution Centre Trustee, CPIF, DIF1 and the Fund (along with various other parties) have entered into the Coles Distribution Centre Unitholders Agreement. The Coles Distribution Centre Unitholders Agreement sets out the governing arrangements of the Coles Distribution Centre Trust, in particular restricting the ability of the co-owners to deal with their units and allowing the co-owners to assume day-to-day control of the Coles Distribution Centre via the establishment of a joint unitholders committee.

A summary of the Coles Distribution Centre Unitholders Agreement is set out below. This summary is not intended to be exhaustive.

- ◆ CPIF, DIF1 and the Fund must ensure (to the extent within their power) that the Coles Distribution Centre Trustee remains as trustee of Coles Distribution Centre Trust and must not take any steps which are likely to lead to the Coles Distribution Centre Trustee's removal as trustee of Coles Distribution Centre Trust.
- ◆ A joint unitholders committee must be established and each co-owner may appoint one member. Meetings of the joint unitholders committee must be held in accordance with the Coles Distribution Centre Unitholders Agreement.
- ◆ The joint unitholders committee must make decisions in relation to various material issues (such as the sale of the Coles Distribution Centre or the entry into material leases) by unanimous resolution. All other matters will be determined by ordinary resolution of the joint unitholders committee.
- ◆ The Coles Distribution Centre Trustee is bound by, and must give effect to, any recommendation given by the joint unitholders committee and is restricted from doing anything in respect of various material matters without a unanimous resolution of the joint unitholders committee.
- ◆ The co-owners are restricted from dealing with their units in the Coles Distribution Centre Trust (including by way of transfer or mortgage), other than in accordance with the Coles Distribution Centre Unitholders Agreement. The restrictions imposed by the Coles Distribution Centre Unitholders Agreement include:

- pre-emption rights (should a co-owner wish to dispose of their units, they must first offer to sell their units to the remaining co-owners);
- drag-along rights which may allow a co-owner's units to be compulsorily sold to a third party:
 - at any time prior to 31 December 2014, CPIF may require each of DIF1 and the Fund to transfer their interests in the Property to a third party purchaser; and
 - at any time after 1 January 2017, any of CPIF, DIF1 and the Fund may require each other co-owner to transfer their interests in the Property to a third party purchaser.
- default buyout rights (allowing the units of a co-owner who is in default under Coles Distribution Centre Unitholders Agreement to be purchased by another co-owner).

9.7. Summary of the Underwriting Deed

The Responsible Entity and CHFML as responsible entity of Charter Hall Property Trust (Underwriter) have entered into an Underwriting Deed in respect of the Fund.

Pursuant to the Underwriting Deed, the Underwriter has agreed to act as the underwriter of the Offer.

A summary of the Underwriting Deed is set out below. The summary is not intended to be exhaustive.

- ◆ The Underwriter must subscribe for and purchase (at the price of \$1.00 per Acquisition Unit) the number of Acquisition Units the Responsible Entity notifies to it to enable the Fund to have sufficient capital to fund the acquisition of the Australia Post Distribution Centre and other capital requirements of the Fund in connection with the acquisition of this Property. The Underwriter is not required to comply with this obligation unless the Fund has entered into a binding contract to purchase this Property.
- ◆ The Underwriter is also required to subscribe for and purchase Acquisition Units if, as at 30 September 2013 (or such later date as the Responsible Entity and the Underwriter agree), the Responsible Entity has received valid applications for all Units (excluding Acquisition Units) having proceeds greater than the Minimum Offer Amount but less than the Initial Offer Amount (provided that all Acquisition Units have been redeemed and there is no bridging loan outstanding). The Underwriter is required to purchase the number of Acquisition Units having a subscription price equal to the difference between the Initial Offer Amount and the amount raised pursuant to the valid applications received.
- ◆ Instead of requiring the Underwriter to fulfil its underwriting obligations set out above by subscribing for Acquisition Units, the Responsible Entity may require the Underwriter to provide a bridging loan to the Fund in an amount equal to the underwriting commitment at a rate of interest of 8% per annum. The bridging loan will be repaid on the basis of the face value of the loan and any unpaid interest and is not subject to movements in the capital value of the Fund. The Underwriter may require the Responsible Entity to repay all or part of the bridging loan out of the proceeds of any subsequent equity capital raising by the Fund or any other amounts held by the Fund which are superfluous to the Fund's capital requirements. The Responsible Entity may at any time repay all or part of the bridging loan through the issue of Acquisition Units to the Underwriter.

9. Additional Information (continued)

- ◆ While the Underwriter holds Acquisition Units or a bridging loan is outstanding, the Underwriter may require the Responsible Entity to either offer Units to the public in accordance with the Constitution to facilitate redemption of the Acquisition Units or repayment of the bridging loan or to provide the Underwriter with reasonable assistance to facilitate a sale or assignment to a third party of the Underwriter's Acquisition Units or bridging loan.
- ◆ If any Acquisition Units are held by, or the bridging loan is outstanding to, the Underwriter at 31 December 2013, the Underwriter may require the Responsible Entity to sell some or all of the assets of the Fund to the extent necessary to enable the Fund to redeem any Acquisition Units held by, or repay any bridging loan outstanding to, the Underwriter at that time.
- ◆ The maximum amount that the Underwriter is required to advance pursuant to the Underwriting Deed is \$11 million.

9.8. Investor protection

The Fund is registered as a managed investment scheme under the relevant provisions of the Corporations Act and CHDPML has been appointed as the responsible entity to operate the Fund.

Corporate governance

Role as Responsible Entity

The Responsible Entity's main responsibilities are to make sure that the Fund is managed according to the Constitution, the Corporations Act and the established investment policy for the Fund as well as to properly administer the Fund.

In carrying out its duties, the Responsible Entity is subject to the Corporations Act and must, amongst other things:

- ◆ act honestly and in the best interests of Investors;
- ◆ exercise care and diligence; and
- ◆ treat Investors of the same class equally and Investors of different classes fairly.

Board composition

The board of the Responsible Entity meets on a regular basis and is required to discuss pertinent business developments and review the operations and performance of the Fund. The board of CHDPML comprises six directors: three executives of Charter Hall Group and three independent directors including an independent chairman.

The Compliance Plan

As required by law, the Responsible Entity has prepared and lodged with ASIC, a Compliance Plan which sets out the measures which the Responsible Entity will apply in operating the Fund to ensure compliance with the Corporations Act and the Constitution. A copy of the Compliance Plan is available upon request, free of charge, from Charter Hall Group's offices.

Related party transactions

There are a number of related party transactions described in this PDS in relation to the Fund, including fees payable by the Responsible Entity to the Manager under the Asset Services Agreement.

The Responsible Entity may also seek professional services for the Fund from qualified service providers, including related parties. The fees for these services will be charged at normal commercial rates to the Fund. All parties and the fees chargeable for these services are subject to the approval of the Responsible Entity's independent directors.

Examples of areas in which related parties may provide services to the Fund are:

- ◆ property, development and project management;
- ◆ accounting, taxation, registry services and compliance;
- ◆ debt arrangement;
- ◆ financial structuring and underwriting;
- ◆ product distribution; and
- ◆ corporate advice.

Related party transactions policy

In addition, all transactions in which the Responsible Entity may have, or may be perceived to have, a conflict of interest will be conducted in accordance with the Responsible Entity's related party transactions policy. Under this policy, the Responsible Entity may be required to disclose conflicts of interests to Investors and to ensure that its disclosure is timely, prominent, specific and meaningful, and contains enough detail to understand and assess the potential impact on the service provided by the Responsible Entity. These conflict situations will be assessed and evaluated by the compliance manager for Charter Hall Group and if the compliance manager considers it necessary, refer the matter to the Responsible Entity's board with steps taken to ensure that the conflict is managed in an appropriate manner. For more detail on the Responsible Entity's policy and procedures for related party transactions, please contact the Responsible Entity.

The Custodian

The Responsible Entity has appointed The Trust Company (Australia) Limited to act as custodian of the Fund's assets. The Custodian must only act on instructions from the Responsible Entity. The Custodial Services Deed contains relevant reporting requirements and key performance indicators.

Disclosures to Investors

The Responsible Entity's disclosures to Investors will be guided by industry best practice and ASIC guidelines.

In addition to this PDS, Investors will be able to access current information on the Properties and the Fund from the Fund's website and regular publications and Investor updates.

ASIC Regulatory Guide 46 'Unlisted property schemes: Improving disclosure for retail investors' and Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations' contain the benchmarks and disclosure principles currently recommended by ASIC. These benchmarks and disclosures have been incorporated, or it has been described how the Responsible Entity will meet these obligations, within this PDS.

The following tables show the benchmarks and disclosure principles set out in ASIC Regulatory Guide 46:

Benchmark	Meets Benchmark	PDS section(s) reference
1 Gearing policy	Yes	2.5
2 Interest cover policy	Yes	2.5
3 Interest capitalisation	Yes	2.5
4 Valuation policy	Yes	2.5, 5.1
5 Related party transactions	Yes	5.2, 9.8
6 Distribution practices	No	2.6

Disclosure principle		PDS section(s) reference
1	Gearing ratio	2.5, 5.2, 7.3
2	Interest cover ratio	2.5, 5.2
3	Scheme borrowing	2.5, 5.2
4	Portfolio diversification	2.2, 4.2, 5.2
5	Related party transactions	5.2, 9.8
6	Distribution practices	2.6, 7.1
7	Withdrawal arrangements	2.1, 2.4, 5.2, 9.11
8	Net tangible assets	5.1, 5.2, 7.3

Investors' right to information

As a disclosing entity, the Fund is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. Investors have a right to obtain a copy of the following documents:

- ◆ the annual financial report for the Fund most recently lodged with ASIC;
- ◆ any half-year financial report for the Fund lodged with ASIC; and
- ◆ any continuous disclosure notices for the Fund given to ASIC.

Complaints handling

The Constitution contains provisions governing the procedures for dealing with complaints by Investors. The Responsible Entity has procedures in place to properly consider and deal with any complaints received from Investors.

If you have a complaint or query in relation to the administration or management of the Fund, please contact the compliance manager for Charter Hall Group on (02) 8908 4000 or write to Charter Hall Group at GPO Box 2704, Sydney NSW 2001. The compliance manager will, on behalf of the Responsible Entity, ensure your complaint is acknowledged in writing within 14 Business Days of receipt and will ensure that it receives proper consideration. Within 45 days of receiving the complaint, the Responsible Entity is required to communicate its decision in relation to the complaint.

The Responsible Entity is also a member of Financial Ombudsman Service Limited, an external complaints resolution service that has been approved by ASIC. If you are dissatisfied with our response, you may raise the matter with Financial Ombudsman Service Limited. Its contact details are:

Financial Ombudsman Service Limited

GPO Box 3
Melbourne VIC 3001
Telephone: 1300 780 808
Fax: (03) 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

9.9. Labour standards and environmental, social or ethical considerations

The Responsible Entity and/or Manager will not always take labour standards or environmental, social or ethical considerations into account for the purposes of selecting, retaining or realising investments in the Fund. However, sometimes these matters may indirectly affect the economic factors upon which investment decisions are based.

9.10. Anti-money laundering and counter-terrorism financing

The Responsible Entity is required to collect certain customer identification information (and verify that information) in compliance with AML Legislation before it can issue Units to an Applicant.

Customer identification information may include detailed know your customer (KYC) information in relation to the Applicant such as, for an individual Applicant, their name, address, and date of birth and for an Applicant that is a business entity, details of their directors and beneficial owners, and where the Applicant is a trustee, details of the fund and beneficiaries. In addition to this information, the Responsible Entity may require further KYC information such as information concerning the business activities, structure and source of funds of Applicants and from time to time, may require an Applicant to provide, in addition to the information an Applicant is required to provide in the Application Form, updated or additional KYC information.

The Responsible Entity may refuse to accept an Application Form or decline to issue Units to an Applicant until it has satisfactorily concluded its customer identification procedure in relation to the Applicant. The Responsible Entity may delay or refuse any request or transaction, including by suspending the issue or redemption of Units if the Responsible Entity is concerned that the request or transaction may cause the Responsible Entity to contravene the AML Legislation (or any other legislation). The Responsible Entity will incur no liability to the Applicant if it does so. For more detail, refer to section 10.2.

9.11. Investors facing hardship

Subject to ASIC granting relief to enable it to do so, the Responsible Entity may provide Investors facing hardship an opportunity to submit withdrawal requests to realise part or all of their investment in the Fund.

If such a regime is established, the Responsible Entity would assess withdrawal requests from Investors facing hardship on a fortnightly basis.

Any withdrawal regime for Investors facing hardship will also be subject to the Fund having sufficient liquid funds available to fund the withdrawals.

9.12. Ordinary Units

Investors who are allotted Units prior to the later of the Limited Offer Date and the Initial Offer Amount being allotted, will receive Ordinary A Units. Investors who are subsequently allotted Units will receive Ordinary Units.

Ordinary A Units

Ordinary A Units rank equally with Ordinary Units except holders of Ordinary A Units will benefit by receiving, from the Fund, an additional 200 bonus Units for every 10,000 Units they subscribe for (i.e. effectively 10,200 Ordinary A Units for every \$10,000 invested).

Following the conclusion of the limited offer of Ordinary A Units, all Ordinary A Units on issue will have the same rights as, and become, Ordinary Units.

In addition, holders of Ordinary A Units will receive income distributions proportional to the number of Ordinary A Units they held during a distribution period (other than the distribution period during which those Units become Ordinary Units) and the number of days those Units were invested during that distribution period.

9. Additional Information (continued)

9.13. Acquisition Units

To facilitate the acquisition and development of Properties, Charter Hall Group and/or its related bodies corporate or associates, may provide funding by subscribing for Acquisition Units at the prevailing Unit Price.

Any Acquisition Units will rank equally amongst themselves in all respects and equally with Ordinary Units except for the following characteristics:

- ◆ proceeds from the allotment of Ordinary A Units, Ordinary Units, Wholesale A Units and Wholesale Units may be used to redeem any Acquisition Units allotted, if the Responsible Entity makes a withdrawal offer to holders of Acquisition Units. The redemption price of Acquisition Units will be equal to the Unit Price, however where the Unit Price is based on NAV, the redemption price will be increased to take account of any adverse effect on NAV resulting from the limited offer of Ordinary A Units;
- ◆ upon the Liquidity Event, the holders of Acquisition Units will be entitled to indicate their preference for redemption, but will not be counted in calculating the 50% threshold for determining whether the Fund is extended beyond its initial seven-year term;
- ◆ holders of Acquisition Units will receive income distributions proportional to the number of Acquisition Units they held during a distribution period and the number of days those Units were invested during that distribution period;
- ◆ the Responsible Entity may elect to pay income distributions on Acquisition Units in cash or in the form of additional Acquisition Units; and
- ◆ the Responsible Entity and/or Manager may elect to receive their fees in the Fund as Acquisition Units at the prevailing Unit Price.

9.14. Wholesale Units

The Responsible Entity may offer Wholesale Clients a separate unit class to Ordinary Units. These Wholesale Units will have the same rights as, and will for all purposes rank equally with, Ordinary Units but will have a reduced fee structure. This reflects that Wholesale Clients invest larger amounts in the Fund.

Wholesale A Units

Wholesale A Units rank equally with Wholesale Units except holders of Wholesale A Units will benefit by receiving, from the Fund, an additional 200 bonus Units for every 10,000 Units they subscribe for (i.e. effectively 10,200 Wholesale A Units for every \$10,000 invested).

Following the conclusion of the limited offer of Wholesale A Units, all Wholesale A Units on issue will have the same rights as, and become, Wholesale Units.

In addition, holders of Wholesale A Units will receive income distributions proportional to the number of Wholesale A Units they held during a distribution period (other than the distribution period during which those Units become Wholesale Units) and the number of days those Units were invested during that distribution period.

9.15. Naming consents

The entities listed below have given, and have not, before the date of this PDS, withdrawn their consent to be named in this PDS in the form and context in which they are named:

- ◆ Australand Property Group;
- ◆ CPIF;
- ◆ DIF1;
- ◆ The Trust Company (Australia) Limited; and
- ◆ Computershare Fund Services Pty Limited.

None of these entities has authorised or caused the issue of this PDS and nor are they responsible for any particular part of it.



How to Invest



10. How to Invest

Investing in the Fund can be done in one of two ways, depending on whether you are a Direct Investor or an Indirect Investor. You should retain a copy of this PDS and any supplementary PDSs for future reference and if you wish to make additional investments in the Fund.

10.1. Indirect Investors

Where you invest in the Fund through an IDPS or IDPS-like scheme (known commonly as a custodial arrangement, master trust or wrap account), your IDPS Operator will facilitate an investment in the Fund on your behalf. You will need to obtain and complete the relevant application forms from your IDPS Operator.

Indirect Investors do not:

- ◆ directly hold Units; or
- ◆ acquire the rights of an Investor.

The IDPS Operator acquires these rights and can exercise, or decline to exercise, them on your behalf according to the arrangements governing the IDPS. It is your IDPS Operator that holds Units and who therefore has a direct relationship with us. This means all income, notices, confirmations and regular reports are sent directly to your IDPS Operator. Your rights are governed by your agreement with your IDPS Operator.

If you invest through an IDPS:

- ◆ your primary point of contact for information or resolution of complaints is your IDPS Operator;
- ◆ you should ignore information in this PDS that is relevant to only Direct Investors including section 10.2;
- ◆ your IDPS Operator will set the minimum transaction and balance requirements;
- ◆ fees and expenses applicable to the IDPS (and set out in the IDPS offer document) are payable in addition to the fees and expenses stated in this PDS;
- ◆ your IDPS Operator will be responsible for collection, storage, use and disclosure of personal information. We will not collect or hold any personal information about you in connection with your investment in the Fund. As a consequence, it will be your IDPS Operator's obligation to inform you about its privacy policy, obligations to protect any personal information and your rights under the Corporations Act; and
- ◆ you should contact your IDPS Operator for specific details of the Fund, including information on the progress of the Fund, Unit pricing, distribution payments, confirmation of your investment, additional investments, queries with respect to annual tax statements, complaints and any applicable cut-off times for applications.

10.2. Direct Investors

On or from the date of this PDS, to invest in the Fund directly, you need to complete an Application Form and submit it to us with your payment. Initial investments made directly must be for a minimum Application Amount of \$10,000 and in multiples of \$1,000 thereafter.

How to complete your Application Form

Please complete the Application Form using black pen and print well within the boxes in CAPITAL LETTERS. The Application Form has space for two Applicants' details only. If more than two Applicants wish to jointly invest in the Fund, please attach additional copies of the Application Form with the additional Applicants' details.

For examples of correct forms of registrable name, refer to section 12.2.

If you are opening an account on behalf of a child (i.e. acting as a trustee), you will need to refer to the information on TFNs below.

If you are opening an account on behalf of a child or another entity, we require you to provide supporting documentation as applicable, such as evidence of the capacity in which the investment is held or a power of attorney.

We have included a space for you to complete your address on the Application Form. If your mailing address is care of a third party such as your adviser, be aware that all correspondence will be sent to this address, including statements. If you need help completing the Application Form, please refer to the inside back cover of this PDS for a contact details listing.

What happens if you do not provide your Australian Tax File Number or Australian Business Number?

An Applicant need not quote a TFN when applying for Units. However, if a TFN is not quoted, or an appropriate TFN exemption is not provided, tax may be required to be deducted from any distribution entitlement at the highest marginal tax rate plus Medicare levy (currently in total, 46.5%).

How do I pay my adviser a professional fee for service?

If you wish to pay your adviser a professional fee for service, you will need to direct us to pay such an amount on your behalf by completing the 'Adviser professional fee for service' being section 4 of the Application Form. If this section is not completed, no professional fee for service will be paid to your adviser.

Who should sign the Application Form?

- ◆ **Individuals** – all individual(s) in whose name the account is opened must sign the Application Form for the application to be valid. Joint Applicants will be deemed joint tenants.
- ◆ **Corporations** – the Application Form must be signed either under seal or by:
 - two directors or a director and the company secretary; or
 - the sole director and secretary (if applicable).
- ◆ **Incorporated associations** – the Application Form must be signed under seal and an original certified copy of the association's certificate of incorporation must accompany the Application Form.
- ◆ **Unincorporated associations** – the Application Form must be filled out in the name of a member(s) of the association and signed by the individual(s) as outlined above.
- ◆ **Trusts** – the Application Form must be signed by the trustee(s).

If you are signing under a power of attorney, you will need to attach an original certified copy¹ of the power of attorney and specimen signature(s) of the attorney(s) for us to be able to process your application.

Note:

1. An original certified copy is a document that has been certified as a true copy of the original document by one of the person listed in section 12.1.

10. How to Invest (continued)

Funding your Application Amount

You will also need to enclose your Application Amount with the Application Form to secure your investment in the Fund. We will accept:

- ◆ **cheques** drawn on an Australian branch of a bank or other financial institution and made payable to 'CHDPML – Charter Hall Direct Industrial Fund No. 2 Applications Account' for the Application Amount. All cheques should be crossed 'not negotiable' and must be in Australian currency; or
- ◆ **direct credit** – you need to transfer funds to the following account:

Account name: CHDPML – Charter Hall Direct Industrial Fund No. 2 Applications Account

BSB number: 182-222

Account number: 3019-23637

Reference: name on the Application Form

This reference will be used to identify your application and MUST match the reference supplied on the Application Form. If we are not able to match your application to a payment, your application may not be processed.

Cut-off times for applications

The daily cut-off for applications is 2pm Sydney time. If we receive your completed Application Form and Application Amount before or at 2pm, your Allotment will be processed at the Unit Price applicable at the close of business that day. If your completed Application Form or Application Amount is received after 2pm, we will apply the Unit Price for the next Business Day.

Should we ever need to suspend Unit pricing for the Fund, you will be notified of this on the Fund's website.

After you have lodged your Application Form

After you have lodged your Application Form, we will aim to send you a statement of account within 10 Business Days of accepting your application. If we are unable to accept your application, for example if the Application Form is completed incorrectly, we may delay processing your application for up to 30 days. If your application is not processed before the conclusion of the 30-day period, your Application Amount will be returned to you.

If a payment is for any reason dishonoured, the respective issued interests will be cancelled. No application to transfer interests will be accepted within five Business Days of us allotting your interests.

Cooling off period

Direct Investors who are not classified as 'wholesale' or 'professional' investors (as defined in the Corporations Act) have a 14-day cooling off period.

In this period, eligible Direct Investors may cancel their investment by notifying the Responsible Entity in writing. For each eligible Direct Investor, their 14-day period commences on the earlier of the date they receive their confirmation notice or five Business Days after the Allotment.

If an eligible Direct Investor cancels their investment during this period, the amount repaid to them may be adjusted in accordance with the Corporations Act to reflect any increase or decrease in the value of their investment, any tax or duties payable by the Responsible Entity and/or Manager and administration expenses and transaction costs associated with the acquisition and termination of their investment.

For example, if an Investor invests \$200,000 and the value of the Units falls by 1% between the Allotment Date and the time the receipt of the request to withdraw, the Investor may be charged \$2,000 on account of the reduced value plus any transaction costs incurred.

The right to cooling off terminates immediately if an eligible Direct Investor exercises a right or power under the terms of the Fund, such as selling part of their investment. For any subsequent contributions made under the terms of an existing agreement, the right to cooling off does not apply.

How to make additional contributions to your investment

Additional investments can be made at any time prior to the Final Closing Date by completing an Application Form, which is also available on the Fund's website. Additional investments must be in multiples of \$1,000.

Anti-money laundering and counter-terrorism financing

In December 2006, the Australian Government introduced the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth). This legislation forms part of AML Legislation which requires reporting entities, such as financial advisers and product issuers, to conduct customer identification and verification checks. The Responsible Entity is required to comply with AML Legislation.

If you have a financial adviser, your identification and verification checks can be conducted by your financial adviser who will also complete the relevant identification form issued by Investment and Financial Services Association Limited and the Financial Planning Association of Australia (IFSA/FPA Form).

If you do not have a financial adviser for this investment or are unable to complete the relevant verification sections of the Application Form (being sections 8, 10 and/or 12), you can request the IFSA/FPA Form from the Investor registry by calling 1300 137 895 or download it from the Fund's website.

We may, from time to time, be required to contact you to request additional information for identification or verification purposes.

By applying for Units, you agree to the following:

- ◆ at the reasonable request of us, you will supply, or procure the supply of, any documentation and other evidence and perform any acts to enable us to comply with the AML Legislation;
- ◆ if we suspect that you are in breach of the AML Legislation applicable in Australia or elsewhere, or we believe we are required to take action under any laws relating to the AML Legislation or any other applicable law in Australia or elsewhere, we may take any action we consider appropriate, including transferring your Units and refusing or ceasing to provide you with services, in order to comply with any laws relating to the AML Legislation or any request of a relevant authority; and
- ◆ we may, in our absolute discretion, with or without notice to you, disclose or otherwise report the details of any transaction or activity, or proposed transaction or activity, in relation to the Fund (including any personal information, as defined in the Privacy Act 1988 (Cth) that you may have provided to us) to any reporting body authorised to accept reports under any laws relating to the AML Legislation applicable in Australia or elsewhere.

If you do not complete the relevant verification sections of the Application Form (being sections 8, 10 and/or 12) or provide a completed IFSA/FPA Form, this may delay the processing of your application or result in your application being returned.

How to withdraw your investment

The Fund is an illiquid investment and Investors should expect to redeem their investment in the Fund only when the Fund is wound up. For detail on liquidity risks, refer to sections 5.1 and 5.2.

The Responsible Entity retains its right to provide some liquidity to Investors, and will advise Investors of its intention to do so and its policy if it is able to or elects to provide liquidity.

How to monitor your investment

As an Investor, you will receive regular communications from us regarding the progress and the performance of the Fund. These will include:

- ◆ investment and withdrawal notices (for all account movements);
- ◆ distribution statements (as at the conclusion of each quarter);
- ◆ annual tax statements;
- ◆ annual periodic and transaction statements; and
- ◆ other information that may be shared with you via post or electronically.

You may also use the Fund's website to keep track of the Unit Price and view the latest independent research reports on the Fund. Alternatively, you may contact us directly to request information regarding the performance of the Fund and your investment.

If you have an adviser or change your adviser

If you wish to pay your adviser a professional fee for service, you will need to direct us to pay such an amount on your behalf by completing the 'Adviser professional fee for service' being section 4 of the Application Form.

The professional fee for service will be deducted from your Application Amount and paid to your adviser.

The net amount of your Application Amount, after deducting the professional fee for service, will be invested into the Fund.

If you have an adviser, your adviser may also be provided with details on your investment in the Fund.

If you change your adviser during the course of your investment in the Fund, please notify the Investor registry.

Fax and electronic correspondence conditions

By using a fax and/or electronic correspondence instruction service, you release us and indemnify us against all losses and liabilities arising from any payment/action that we make based on the instructions we receive by fax and/or electronic correspondence bearing your account number and an apparent signature of yours – even if the fax and/or electronic correspondence is not genuine. You also agree that neither you nor anyone claiming through you has any claim against us or the Fund in relation to these payments or actions.

Copies of Application Forms will not be accepted; each Applicant must return their completed original Application Form and accompanying items to the Investor registry in order for their application to be processed.

10.3. Use of personal information

Indirect Investors

We do not collect or hold any personal information about you in connection with your investment in the Fund. You should contact your IDPS Operator for details on collection, storage, use and disclosure of personal information.

Direct Investors

You do not need to give us any personal information requested in the Application Form or in any other document or communication relating to the products or services we supply you. However, without this information, we may not be able to process your application or provide you with an appropriate level of service.

By completing the Application Form, you agree to us:

- ◆ collecting, holding and using your personal information to process your application as well as administering and managing the Fund. This includes monitoring, auditing and evaluating the Fund, modelling data, testing data, communicating with you and dealing with any complaints or enquiries;
- ◆ providing your personal information to other entities in Charter Hall Group as well as to external service providers situated in Australia or offshore, which provide services in connection with the Fund. These may include for example, mail houses or professional advisers;
- ◆ using your personal information to offer products or services that may be of interest to you unless you request us not to (including for the purposes of the Spam Act 2003 (Cth), via commercial emails);
- ◆ supplying your financial adviser with information about your investment, if a financial adviser's stamp appears on the Application Form or there is evidence of their status; and
- ◆ disclosing your personal information to other parties if you consent or if we believe that the law requires or permits us to do so, or to any person proposing to acquire an interest in our business, provided they agree to treat your information in accordance with the *Privacy Act 1988* (Cth).

Other entities in Charter Hall Group may use your personal information to offer products or services that may be of interest to you unless you request us not to allow this.

We will not sell your personal information to other organisations to enable them to offer products or services to you.

Under the *Privacy Act 1988* (Cth), you may request access to any of your personal information that we hold. You can contact us to make a request relating to the privacy of your personal information. Please refer to the inside back cover of this PDS for a contact details listing.

Charter Hall Group's privacy statement can be found at www.charterhall.com.au/privacy.

10.4. Authority for IDPS Operators to use this PDS

The Responsible Entity consents to the use of this PDS by IDPS Operators that include the Fund on their investment menus.

Glossary



11. Glossary

Term	Description
ABN	Australian Business Number as defined in the Corporations Act.
ACN	Australian Company Number as defined in the Corporations Act.
Acquisition Unit	A class of unit in the Fund as described in section 9.13.
AFSL	Australian Financial Services Licence as defined in the Corporations Act.
Allotment	The allotment of Units to successful Applicants on an Allotment Date.
Allotment Date	Each date determined by the Responsible Entity as the date on which Units are to be issued to successful Applicants under this PDS.
AML Legislation	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)</i> , <i>Financial Transaction Reports Act 1988 (Cth)</i> and any similar legislation.
APIR Code	Asia Pacific Investment Register Code. APIR Codes are standard identifiers for products in the financial services industry. The Fund's APIR Code is MAQ0815AU.
Applicant	A person or entity who applies to subscribe for Units.
Application Amount	The monies payable by an Applicant to apply for Units.
Application Form	The application form attached to this PDS.
ARSN	Australian Registered Scheme Number as defined in the Corporations Act.
ASIC	Australian Securities and Investments Commission.
Asset Management Period	The period after the Investment Period, which will conclude on or about 31 December 2019.
Asset Recycling	The reinvestment of proceeds received from sales of Properties that were contracted during the Asset Management Period, into new property acquisitions.
Asset Services Agreement	The legal agreement pursuant to which CHH has been appointed, by the Responsible Entity, as the initial Manager to perform certain services in relation to the ongoing operation of the Fund.
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.
ATO	Australian Taxation Office.
Australand Property Group	Australand Holdings Limited (ACN 008 443 696) and, Australand Industrial Constructions Pty Ltd (ACN 095 586 708).
Australia Post Distribution Centre	One of the two initial Properties, located at 15-21 Enterprise Drive in Rowville approximately 25 radial kilometres south-east of the Melbourne CBD.
Business Day	A weekday on which banks are open in New South Wales.
CBD	Central business district.
CGT	Capital gains tax as defined in the <i>Income Tax Assessment Act 1997 (Cth)</i> .
Charter Hall Group	The stapled entity comprising Charter Hall Limited (ACN 113 531 150) and Charter Hall Property Trust (ARSN 113 339 147) listed on the ASX under the code CHC and their subsidiaries.
CHFML	Charter Hall Funds Management Limited (ABN 31 082 991 786, AFSL 262861).
CHH	Charter Hall Holdings Pty Ltd (ABN 15 051 363 547).
CIP	Commercial & Industrial Property Pty Ltd (ABN 88 105 081 865) and its subsidiaries.
Coles Distribution Centre	One of the two initial Properties, located at 136 Horrie Miller Drive, Perth Airport approximately 13 kilometres east of the Perth CBD. If the Minimum Offer Amount is achieved, the Fund will acquire a 25% interest in the Coles Distribution Centre.
Coles Distribution Centre Trust	Perth RDC Trust, which is the trust that retains a long-term leasehold interest in the Coles Distribution Centre.
Coles Distribution Centre Trustee	Bieson Pty Ltd (ACN 110 465 168) as trustee of Coles Distribution Centre Trust.
Coles Distribution Centre Unitholders Agreement	The Perth RDC Trust Unitholders Agreement, being the legal agreement that sets out the governing arrangements of the Coles Distribution Centre Trust.
Compliance Plan	The Fund's compliance plan, which sets out the measures that the Responsible Entity will apply in operating the Fund to ensure compliance with matters as required by the Corporations Act and the Constitution.
Constitution	The constitution of the Fund (as amended from time to time).
Corporations Act	<i>Corporations Act 2001 (Cth)</i> .
CPIF	Charter Hall Core Plus Industrial Fund (ARSN 113 339 316) which is an unlisted wholesale fund, managed by a member of Charter Hall Group, that invests in high-quality industrial properties that are located across key markets in Australia. For the purposes of summarising the Coles Distribution Centre Unitholders Agreement (section 9.6), CPIF includes CHFML in its capacity as responsible entity of CPIF, which currently owns 75% of the units in the Coles Distribution Centre Trust.
Custodial Services Deed	The legal agreement pursuant to which the Custodian has been appointed to hold the assets of the Fund as agent of the Responsible Entity.

11. Glossary (continued)

Term	Description
Custodian	The Trust Company (Australia) Limited (ACN 21 000 000 993, AFSL 235145).
Development Agreement	The legal agreement pursuant to which Australand Property Group has been appointed to develop the Australia Post Distribution Centre on behalf of the Fund for a fixed price.
DIF1	Charter Hall Direct Industrial Fund (ARSN 144 613 641) which is an unlisted retail fund, managed by the Responsible Entity, that invests in quality Australian industrial properties. For the purposes of summarising the Coles Distribution Centre Unitholders Agreement (section 9.6), DIF includes Charter Hall Nominees Pty Limited (ABN 11 051 363 529) in its capacity as trustee of CHDIF Perth Airport Trust, which is a wholly-owned sub-sub-trust of DIF1 that owns 25% of the units in the Coles Distribution Centre Trust.
Direct Investor	An Applicant who invests in the Fund by completing an Application Form and forwarding it to the Investor registry or the Responsible Entity for processing, without going through an IDPS Operator.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
Extension Period	The period of up to three years that the Fund's term may be extended for following the Liquidity Event.
Final Closing Date	The earlier of 31 December 2014 (or such other date as determined by the Responsible Entity) and the Total Offer Amount being allotted.
First Closing Date	30 June 2013 or such other date as determined by the Responsible Entity.
Fund	Charter Hall Direct Industrial Fund No. 2 (ARSN 161 417 438) including its subsidiaries. The Fund is also referred to 'DIF2'. For the purposes of summarising the Coles Distribution Centre Unitholders Agreement (section 9.6), the Fund includes Charter Hall Nominees Pty Limited (ABN 11 051 363 529) in its capacity as trustee of CHDIF2 Perth Airport Trust, which is a wholly-owned sub-sub-trust of the Fund which will acquire 25% of the units in the Coles Distribution Centre Trust once the Minimum Offer Amount is achieved.
GAV	Gross asset value, or total assets, of the Fund.
GST	Goods and services tax as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
IDPS	Investor director portfolio service. An IDPS is provided by an IDPS Operator, which makes investments into products on behalf of its clients and provides a reporting service to these investors. Some master trusts and wrap accounts are examples of IDPS arrangements.
IDPS Operator	The trustee, custodian or operator of an IDPS.
Indirect Investor	An Applicant who invests in the Fund through an IDPS by directing their IDPS Operator to acquire Units on their behalf.
Initial Offer Amount	The amount that the Responsible Entity is seeking to raise through the issue of Ordinary A Units, being \$30.2 million.
Investment Period	The initial period of the Fund which will conclude on the Final Closing Date.
Investor	A holder of Units.
IRR	Internal rate of return.
Limited Offer Date	31 March 2013.
Liquidity Event	The process, to occur on or about 30 June 2019, by which: the Responsible Entity will outline its recommendation as to whether the Fund should be wound up or extended in light of the Fund's properties and property market conditions; determine the wishes of Investors; and provide liquidity for those Investors wishing to redeem their investment.
Manager	The manager of the Fund from time to time. CHH has been appointed under the Asset Services Agreement as the initial Manager.
Minimum Offer Amount	The minimum amount that the Responsible Entity is seeking to raise by way of the Offer, being \$19 million.
NAV	Net asset value, or net assets, of the Fund including accrued income and expenses, calculated as the GAV less total liabilities of the Fund.
Net Tangible Assets or NTA	NAV excluding unamortised borrowing costs.
NTA per Unit	The Net Tangible Assets divided by the aggregate number of Units on issue.
Offer	The offer of Ordinary A Units and Ordinary Units under this PDS as well as the offer of other classes of Units (such as Wholesale Units) that the Responsible Entity may make through separate offer documents.
Ordinary A Unit	A class of unit in the Fund as described in section 9.12.
Ordinary Unit	A class of unit in the Fund as described in section 9.12.
PDS	This product disclosure statement dated 17 December 2012.
Property or Properties	Any one or all of the future properties that the Fund directly or indirectly invests in from time to time, including the Australia Post Distribution Centre and the Coles Distribution Centre.
REIT	Real estate investment trust.
Responsible Entity	Charter Hall Direct Property Management Limited (ABN 56 073 623 784, AFSL 226849). Also referred to as 'CHDPML', 'we', 'our' or 'us'.
TFN	Australian Tax File Number.

Term	Description
Total Consideration	The total consideration paid to acquire an asset including the purchase price of any real property and all development and related costs but excluding stamp duty, taxes and any other such acquisition costs.
Total Offer Amount	The amount that the Responsible Entity is seeking to raise by way of the Offer, being \$120 million.
Underwriter	CHFML as responsible entity of Charter Hall Property Trust (ARSN 113 339 147).
Underwriting Deed	The legal agreement pursuant to which the Underwriter has agreed to act as the underwriter of the Offer.
Unit	A unit of any class in the Fund, representing the Investor's proportionate interest in the assets of the Fund.
Unit Price	The price at which a Unit is priced as determined under the Constitution.
WALE	Weighted average lease expiry.
Wholesale Client	An Investor who is a wholesale client for the purposes of section 761G of the Corporations Act.
Wholesale A Unit	A class of unit in the Fund as described in section 9.14.
Wholesale Unit	A class of unit in the Fund as described in section 9.14.



Application Form

12. Application Form

12.1 Application Form checklist

On or from the date of this PDS, to invest in the Fund directly, you need to complete the accompanying Application Form and submit it to us with payment of your Application Amount.

Where you invest in the Fund via an IDPS, your IDPS Operator will facilitate an investment in the Fund on your behalf. You will need to obtain and complete the relevant application forms from your IDPS Operator.

Section 1 – Applicant details

This section must be completed by all Applicants.

- ◆ If this is your first investment in Charter Hall Direct Industrial Fund No. 2, cross the first box.
- ◆ If you are adding to an existing investment in Charter Hall Direct Industrial Fund No. 2, cross the second box and provide your existing account number (the Investor registry can provide this information if you have not yet received confirmation of previous investments).
- ◆ In addition to selecting either the first or second box, cross the third box if you are currently invested in any other Charter Hall unlisted fund (e.g. Charter Hall Direct Industrial Fund, 130 Stirling Street Trust or Charter Hall Direct 144 Stirling Street Trust). The information you provide here will assist us in identifying you. Please provide the name of the other fund(s) you are invested in and provide the account number(s) for those investments.

Once you have completed this section, all Applicants should proceed to section 2.

Section 2 – Applicant contact details

This section must be completed by all Applicants.

- ◆ The information you provide here will be used to contact you with any questions in relation to the Application Form.
- ◆ The email address and contact phone numbers will be recorded on the Investor register and used to contact you about your investment.
- ◆ If you elect, in section 16, to receive communications about your investment electronically, we will send all electronic correspondence to the email address you provide here.

Once you have completed section 2:

- ◆ individual, sole trader and individual trustee Applicants should proceed to section 6; or
- ◆ corporate and corporate trustee Applicants should proceed to section 9.

Section 3 – Adviser details

This section should only be completed by financial advisers.

- ◆ Advisers should complete this section by providing their name, company name, AFSL holder (dealer group) name and number, and the adviser's authorised representative number.
- ◆ We will use the additional details, including the adviser's address, contact phone numbers and email address to contact the adviser with any questions about the Application Form.
- ◆ If advisers would like confirmation of clients' investments, withdrawals and copies of clients' annual tax statements, please confirm this by crossing the relevant box.

Section 4 – Adviser professional fee for service

This section should only be completed by an Applicant if they elect to pay their financial adviser a professional fee for service.

- ◆ If the Applicant elects to pay their adviser a professional fee for service, the Applicant must elect the relevant percentage of their Application Amount to be paid to the adviser or insert a dollar amount in the space provided.
- ◆ If this section is not completed, no professional fee for service will be paid.

Section 5 – Adviser declaration

This section should only be completed by financial advisers.

- ◆ **If the adviser is responsible for verifying the identity of their client for AML Legislation purposes (via the completion of an IFSA/FPA Form), please sign and date this section.**
- ◆ Advisers must provide a copy (this does not need to be a certified copy) of the completed IFSA/FPA Form and submit this with the Application Form.
- ◆ If advisers complete this section, their client does not need to complete the applicable verification sections of the Application Form (i.e. sections 8, 10 and/or 12).
- ◆ Advisers should stamp this section to confirm that they hold a current AFSL or are an authorised representative of an AFSL holder and are authorised to advise on managed investments.

Section 6 – Individual Applicant details

This section must be completed by individual, sole trader or individual trustee Applicants.

All parts of this section are mandatory and your investment will not be processed if any required information is missing.

Once you have completed this section:

- ◆ single individual and sole trader Applicants should proceed to section 8 (unless your adviser has completed section 5, then you should proceed to section 13);
- ◆ joint individual and joint individual trustee Applicants should proceed to section 7; or
- ◆ individual trustee Applicants should proceed to section 11.

Section 7 – Joint Applicant details

This section must be completed by joint individual or joint individual trustee Applicants.

All parts of this section are mandatory and your investment will not be processed if any required information is missing.

If more than two Applicants wish to jointly invest in the Fund, please attach additional copies of the Application Form with the additional Applicants' details.

Once you have completed this section:

- ◆ joint individual Applicants should proceed to section 8 (unless your adviser has completed section 5, then you should proceed to section 13); or
- ◆ joint trustee Applicants should proceed to section 11.

Section 8 – Verification details for individual Applicants

This section must be completed by individual, joint individual or sole trader Applicants, if your adviser has not completed section 5 and submitted the required IFSA/FPA Form.

12. Application Form (continued)

Each individual, joint individual and sole trader Applicant must provide an original certified copy of either:

- ◆ one document from option 1 (a primary identification document); or
- ◆ two documents from option 2 (secondary identification documents), being one from category A and one from category B.

Refer to 'What is a certified copy?' at the end of this section 12.1 for information on acceptable certified copies. Once you have completed this section, you should proceed to section 13.

Section 9 – Corporate Applicant details

This section must be completed by corporate or corporate trustee Applicants. All parts of this section are mandatory and your investment will not be processed if any required information is missing. Once you have completed this section, you should proceed to section 10.

Section 10 – Verification details for corporate Applicants

This section must be completed by corporate Applicants and corporate trustee Applicants that are **Australian proprietary limited companies**, if your adviser has not completed section 5 and submitted the required IFSA/FPA Form.

- ◆ You must advise how many directors there are and provide the full name of each director. If there are more than two directors, please attach additional copies of the Application Form with the additional directors' details.
- ◆ You must provide details of all individuals who are beneficial owners through one or more shareholdings of more than 25% of the company's issued capital in the shareholder section. Their full name and residential address are required. If there are more than two relevant shareholders, please attach additional copies of the Application Form with the additional shareholders' details.
- ◆ You must provide an original certified copy of one of the identification documents listed here.

Refer to 'What is a certified copy?' at the end of this section 12.1 for information on acceptable certified copies.

Once you have completed this section:

- ◆ corporate Applicants should proceed to section 13; or
- ◆ corporate trustee Applicants should proceed to section 11.

Section 11 – Trustee Applicant details

This section must be completed by all trustee Applicants, including individual, joint or corporate trustee Applicants.

All parts of this section are mandatory and your investment will not be processed if any required information is missing.

- ◆ Individual and joint trustee Applicants must also complete sections 6, 7 and 8.
- ◆ Corporate trustee Applicants must also complete sections 9 and 10.

Once you have completed this section, you should proceed to section 12.

Section 12 – Verification details for trustee Applicants

This section must be completed by all trustee Applicants, including individual, joint or corporate trustee Applicants, if your adviser has not completed section 5 and submitted the required IFSA/FPA Form.

Each trustee Applicant must provide an original certified copy of either:

- ◆ one document from option 1 for self managed super funds; or
- ◆ one document from option 2 for all other trusts.

Refer to 'What is a certified copy?' at the end of this section 12.1 for information on acceptable certified copies. Once you have completed this section, you should proceed to section 13.

Section 13 – Australian Tax File Number

This section must be read by all Applicants. Once you have read this section, you should proceed to section 14.

Section 14 – Investment details

This section must be completed by all Applicants.

- ◆ Advise how much you wish to invest, and how you will be funding your investment.
- ◆ If you are funding your investment by funds transfer, you **MUST** enter the reference that you enter with your funds transfer. This reference will be used to identify your application and if we are not able to match your application to a payment, your application may not be processed.
- ◆ Note that your application cannot be processed until the direct credit has been processed by your financial institution, and your Application Form has been received by the Investor registry.

Once you have completed this section, you should proceed to section 15.

Section 15 – Bank account details for distribution and other payments

This section must be completed by all Applicants.

- ◆ You must provide valid Australian bank account details to receive distributions or other payments.
- ◆ The bank account must be in the name of the Applicant(s) to receive distributions or other payments.

Once you have completed this section, you should proceed to section 16.

Section 16 – Communications details

This section must be completed by all Applicants.

- ◆ You must elect to either receive correspondence relating to your investment electronically or by mail.
- ◆ To reduce the cost to the Fund, and the impact to the environment, we encourage you to elect to receive all correspondence electronically.
- ◆ All electronic notices will be sent to the email address you nominate in section 2.

Once you have completed this section, you should proceed to section 17.

Section 17 – Declaration and authorisation

This section must be read and signed by all Applicants.

Once you have read and signed this section, you should attach any required additional documentation to the Application Form, including verification documentation required by AML Legislation, and attach a cheque matching your Application Amount if paying by cheque.

WHAT IS A CERTIFIED COPY?

Certified copies are true copies of original documents with an original certification from the certifier. A certified copy is a document that has been certified as a true copy of the original document by one of the following persons:

- ◆ an officer with, or authorised representative of, a holder of an AFSL, having two or more continuous years of service with one or more licensees;
- ◆ an officer with two or more continuous years of service with one or more financial institutions (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- ◆ a finance company officer with two or more continuous years of service with one or more finance companies (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- ◆ a Justice of the Peace;
- ◆ a notary public (for the purposes of the Statutory Declarations Regulations 1993 (Cth));
- ◆ an agent of Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- ◆ a permanent employee of Australian Postal Corporation with two or more years of continuous service who is employed in an office supplying postal services to the public;
- ◆ a member of The Institute of Chartered Accountants in Australia, CPA Australia or the Institute of Public Accountants with two or more years of continuous membership;
- ◆ a person who is enrolled on the roll of the Supreme Court of a state or territory, or the High Court of Australia, as a legal practitioner (however described);
- ◆ a judge of a court;
- ◆ a magistrate;
- ◆ a chief executive officer of a Commonwealth court;
- ◆ a registrar or deputy registrar of a court;
- ◆ a police officer; or
- ◆ an Australian consular officer or an Australian diplomatic officer (within the meaning of the *Consular Fees Act 1955* (Cth)).

WHAT MUST THE CERTIFIER DO?

The certifier must confirm the copy is certified as a true copy of the original documentation and clearly state their name and category. An example of appropriate certification wording is:

"I certify this (and the following pages each of which I have signed/initialled) to be a true copy of the document shown and reported to me as the original."

12.2 Correct forms of registrable name

Only legal entities (such as companies and superannuation funds, natural persons etc) are allowed to hold interests in the Fund. The application must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Responsible Entity. For trusts, the name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correctly registrable names shown below.

Type of investor	Correct form of registrable name	Incorrect form of registrable name
Individuals	John Alfred Smith	J A Smith
Companies Use company name, do not use abbreviations	ABC Pty Limited	ABC P/L ABC Co
Trusts Use trustee(s) personal names, do not use name of the trust	Sue Smith ATF <Sue Smith Family Trust>	Sue Smith Family Trust
Deceased estates Use executor(s) personal names, do not use name of the deceased	John Smith <Est Jane Smith A/c>	Estate of the Late Jane Smith
Clubs/unincorporated bodies/business names Use office bearer(s) name(s), in addition to name of the club etc	Michael Smith <ABC Tennis Association A/c>	ABC Tennis Association
Superannuation funds Use name of trustee of the fund, do not use name of the fund	Jane Smith Pty Limited ATF <Super Fund A/c>	Jane Smith Pty Limited Superannuation Fund

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Adviser stamp

6 INDIVIDUAL APPLICANT DETAILS (To be completed by individuals, sole traders or individual trustees.)

☐ Individual Applicant ☐ Sole trader ☐ Individual trustee
(also complete section 11)

Mr	<input type="checkbox"/>	Mrs	<input type="checkbox"/>	Miss	<input type="checkbox"/>	Ms	<input type="checkbox"/>	Other					
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[illegible][illegible][illegible]

ADDRESS DETAILS (This section is mandatory.)

[illegible][illegible][illegible]

Mailing address (Please complete if different from your residential address)

Mailing address (Please complete if different from your residential address. All correspondence will be sent here.)

[illegible]

ADDITIONAL DETAILS (This section is mandatory.)

ADDITIONAL DETAILS (This section is mandatory.)

D	D	/	M	M	/	Y	Y	Y	Y
---	---	---	---	---	---	---	---	---	---

[illegible]

(If no, specify your country of tax residence.)

TEN or exemption details including expiry date (if applicable)

[illegible]

7 JOINT APPLICANT DETAILS (To be completed by joint individuals or joint individual trustees.)

☐ Individual Applicant ☐ Individual trustee
(also complete section 11)

Mr	<input type="checkbox"/>	Mrs	<input type="checkbox"/>	Miss	<input type="checkbox"/>	Ms	<input type="checkbox"/>	Other					
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[illegible][illegible][illegible]

ADDRESS DETAILS (This section is mandatory.)

Residential address (This cannot be a PO Box.)

[illegible]

State				Postcode				
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ADDITIONAL ITEMS: (If any, please list below)

ADDITIONAL DETAILS (This section is mandatory.)

DD / MM / YYYY

[illegible]

(If no, specify your country of tax residence.)


TFN or exemption details including expiry date (if applicable)

[illegible]

8 VERIFICATION DETAILS (To be completed by individuals, individual trustees, joint individuals, joint individual trustees or sole traders – trustee Applicants also complete section 11.)

If you do not have a financial adviser, it is mandatory to complete this section and provide original certified copies of identification documentation for each Applicant.

Option 1 – provide an original certified copy of one primary identification document:

 Foreign passport or similar travel document containing a photograph and the signature of the person (and if applicable, an English translation by an accredited translator)

Option 2 – provide one secondary identification document from category A and one secondary identification document from category B:

Category B

- ☒ A document issued by the Commonwealth or a state or territory within the preceding 12 months that records the provision of financial benefits
- ☒ A document issued by the ATO within the preceding 12 months that records a debt payable by the individual to the Commonwealth (or the Commonwealth to the individual), which contains the individual's name and residential address (block out any TFN references)
- ☒ A document issued by a local government body or utilities provider within the preceding three months which records the provision of services to that address or to that person (must contain the individual's name and residential address)
- ☒ If under the age of 18 years, a notice issued to the individual by a school principal within the preceding three months, that contains the name and residential address, and records the period of time that the individual attended that school

An Applicant need not quote a TFN when applying for Units. However, if a TFN is not quoted, or an appropriate TFN exemption is not provided, tax is required to be deducted by the Responsible Entity from any distribution at the highest marginal tax rate plus Medicare levy (currently in total, 46.5%). You can provide your TFN on this Application Form when making your initial investment in the Fund, or by advising the Investor registry in writing. Collection of TFNs is authorised by tax laws and the *Privacy Act 1988* (Cth). For more information about the use of TFNs, please phone the ATO.

Please specify the amount you wish to invest.

Charter Hall Direct Industrial Fund No. 2	\$.	
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Are you paying by cheque? ☐ or funds transfer? ☐

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The reference should be the name on the Application Form.

e.g. superannuation investment, investment of house sale proceeds.

CASH IS NOT ACCEPTED

PAYMENT BY CHEQUE INSTRUCTIONS

Cheques should be payable to:

CHDPML – Charter Hall Direct Industrial Fund No. 2 Applications Account

All cheques should be crossed 'not negotiable' and must be in Australian currency.

PAYMENT BY FUNDS TRANSFER INSTRUCTIONS

In order to pay your Application Amount by funds transfer (direct credit), you need to transfer the funds to the following account and send this completed Application Form to the Investor registry:

Account name: CHDPML – Charter Hall Direct Industrial Fund No. 2 Applications Account

BSB number: 182-222

Account number: 3019-23637

Reference: name on Application Form

This reference will be used to identify your application and **MUST** match the reference you enter with your funds transfer. If we are not able to match your application to a payment, your application may not be processed.

Note that your application cannot be processed until the direct credit has been processed by your financial institution, and your Application Form has been received by the Investor registry.

(To be completed by all Applicants.)

You must complete this section to receive your distribution payments. If you do not complete this section, your distribution will be held by us until valid Australian bank account details are provided.

The bank account nominated below must be in the name of the Applicant(s) and held with an Australian branch of an Australian bank or any other financial institution.

Name of bank or other financial institution

[illegible]

Branch name

[illegible]

BSB number

			-			
--	--	--	---	--	--	--

Account number

[illegible]

Account name

[illegible]

As an Investor, you will receive regular communications from us regarding the progress and performance of the Fund. These will include:

- ◆ investment and withdrawal notices (for all account movements);
- ◆ distribution statements (as at the conclusion of each quarter);
- ◆ annual tax statements;
- ◆ annual periodic statements and transaction statements; and
- ◆ other information that may be shared with you via post or electronically.

We will send paper copies of these to your mailing address unless you request electronic correspondence. **To reduce the cost to the Fund, and the impact to the environment, we encourage you to elect to receive all correspondence electronically.**

Please select your preferred method of receiving communications in relation to your investment:

- ☐ electronic correspondence (by electing electronic correspondence, you will be registered for Investor Online and your login details will be mailed to you shortly after the Allotment of your Units; however, we may send you paper copies of some correspondence from time to time); or
- ☐ paper correspondence (all correspondence will be sent to your mailing address).

All electronic correspondence will be sent to the email address you nominate in section 2. Please ensure you have completed section 2.

Would you like to receive a printed copy via mail of the Fund's annual financial report each year?

No ☒ Yes ☒

An electronic copy will be made available from
www.charterhall.com.au/dif2

17 DECLARATION AND AUTHORISATION (To be completed by all Applicants.)

This Application Form contains information about investing in the Fund and should be read before applying for Units.

I/We agree to be bound by the PDS (including any supplementary PDSs), and the constitution of the Fund in which I/we invest.

I/We declare that I/we am/are not a minor(s) nor do I/we suffer from any legal disability preventing me/us from applying for Units.

I/We declare that I/we personally received the PDS accompanied by or attached to this Application Form and have read the PDS in full and understood the PDS to which this Application Form relates.

I/We acknowledge that I/we have received and accepted the offer in the PDS in Australia.

I/We acknowledge that by submitting an Application Form, I/we agree and consent to all arrangements between the Responsible Entity and members or related entities of Charter Hall Group which are disclosed in the PDS.

I/We acknowledge that the information contained in the PDS does not constitute financial product advice or a recommendation that Units are suitable for me/us, given my/our investment objectives, financial situation and particular needs.

I/We declare that this form is completed and lodged according to the PDS and that all statements made by me/us are complete and accurate.

I/We acknowledge that my/our investment in Units is not an investment in, a deposit with, or any other type of liability of, CHDPMML, CHH, other members of Charter Hall Group, the Custodian or any of their related bodies corporate.

I/We acknowledge that the PDS contains forward looking statements based on assumptions that the Responsible Entity considers to be appropriate at the time of preparing the PDS.

I/We acknowledge that the assumptions and therefore the forward looking statements are subject to factors which are outside the control of the Responsible Entity, the Manager and their directors or which are not predictable on a reliable basis and that actual results may vary materially from the forward looking statements.

I/We agree to information about me/us being collected, stored, used and disclosed in accordance with the privacy disclosure contained in section 10.3 of the PDS.

I/We acknowledge that applications will only be accepted and any income or capital distribution made by the Fund will only be paid, in Australian currency.

I/We declare that if this Application Form is signed by a corporate Applicant, it has been signed in accordance with section 127 of the Corporations Act, the corporation's constitution and applicable laws.

I/We declare that if this Application Form is signed by an attorney, the power of attorney authorises the signing of this Application Form and no notice of revocation has been received.

I/We acknowledge that an investment in the Fund is subject to risks, including reduced or suspended distributions from the Fund and/or a reduced capital value of my/our investment, and agree that those risks are appropriate for a person in my/our circumstances and with my/our investment objectives. I/We acknowledge that none of CHDPMML, CHH, other members of Charter Hall Group, or any of their related entities or affiliates, or any other person, does in any way stand behind or guarantee the repayment of capital from the Fund, the investment performance of the Fund or any particular rate of return.

I/We further acknowledge that I/we accept and agree to the information set out in section 10 of the PDS entitled 'How to Invest'.

I/We acknowledge that by completing section 4 of this Application Form I/we have agreed with my/our adviser to pay them a professional fee for service and I/we direct the Responsible Entity to pay my/our adviser on my/our behalf that fee in accordance with section 4 of the Application Form

I/We understand that the Responsible Entity is required to comply with AML Legislation and I/we acknowledge the information set out in sections 9.10 and 10.2 of the PDS and agree to provide to the Responsible Entity any additional information or documentation it requests from time to time to ensure compliance with that legislation. I/We understand that if I/we refuse to provide any additional information or documentation requested, or if the Responsible Entity believes it is required to take action under any AML Legislation, the Responsible Entity may take any action it considers appropriate and the Responsible Entity will not be liable for any resulting losses. I/We appoint the Responsible Entity as my/our attorney to do all things necessary on my/our behalf (including transferring my/our Units) to ensure compliance with AML Legislation.

I/We undertake that I/we will not knowingly do anything to put the Responsible Entity in breach of AML Legislation. I/We undertake to notify the Responsible Entity if I am/we are aware of anything that would put any member of Charter Hall Group in breach of AML Legislation.

If requested, I/we undertake to provide additional information and assistance and comply with all reasonable requests to facilitate the Responsible Entity's compliance with AML Legislation.

I/We undertake that I am/we are not aware and have no reason to suspect that:

- the money used to fund the investment is derived from or related to money laundering, terrorism financing or similar activities (illegal activities); and
- proceeds of the investment made in connection with this product will fund illegal activities.

The Responsible Entity is subject to AML Legislation. In making an application pursuant to the PDS, I/we consent to the Responsible Entity disclosing in connection with AML Legislation any of my/our personal information (as defined in the *Privacy Act 1988* (Cth)) it has, to any relevant authority.

In certain circumstances, the Responsible Entity may be obliged to freeze or block an account where it is used in connection with illegal activities. Freezing or blocking can arise as a result of the account monitoring that is required by AML Legislation.

If this occurs, the Responsible Entity is not liable to me/us for any consequences or losses whatsoever and I/we agree to indemnify the Responsible Entity if I am/we are found liable to a third party in connection with the freezing or blocking of my/our account.

The Responsible Entity retains the right not to provide services or issue products to any Applicant that the Responsible Entity decides, in its sole discretion, that it does not wish to supply.

**Please read the PDS before signing this form.
Note: company Applicants usually require two signatories.**

Authorisation of Applicant 1 or company officer	Date
X SIGN HERE	/ /
Name	
► If a company officer, you must specify your corporate title.	
Director <input type="checkbox"/>	Sole director and sole secretary <input type="checkbox"/> Trustee <input type="checkbox"/>
Other	

Authorisation of Applicant 2 or company officer	Date
X SIGN HERE	/ /
Name	
► If a company officer, you must specify your corporate title.	
Director <input type="checkbox"/>	Secretary <input type="checkbox"/> Trustee <input type="checkbox"/>
Other	

✓ APPLICANT CHECKLIST

Before you submit your Application Form to the Responsible Entity, you should have:

Item	
completed section 1 – all Applicants	<input type="checkbox"/>
completed section 2 – all Applicants	<input type="checkbox"/>
completed section 4 if you agree to pay a professional fee for service to your adviser	<input type="checkbox"/>
had your financial adviser complete sections 3 and 5	<input type="checkbox"/>
completed section 6 if you are an individual Applicant	<input type="checkbox"/>
completed section 7 if you are a joint Applicant	<input type="checkbox"/>
completed section 8 – all individual Applicants	<input type="checkbox"/>
completed section 9 if you are a corporate Applicant	<input type="checkbox"/>
completed section 10 if you are a corporate Applicant	<input type="checkbox"/>
completed section 11 if you are a trustee Applicant	<input type="checkbox"/>
completed section 12 if you are a trustee Applicant	<input type="checkbox"/>
read section 13 – all Applicants	<input type="checkbox"/>
completed section 14 – all Applicants	<input type="checkbox"/>
completed section 15 – all Applicants	<input type="checkbox"/>
completed section 16 – all Applicants	<input type="checkbox"/>
read and signed section 17 – all Applicants	<input type="checkbox"/>

If you have any questions, please contact the Investor registry on 1300 137 895.

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