investa

ASX Announcement

6.11.18

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Investa Office Fund (ASX:IOF)

Notice of Meeting and Explanatory Memorandum

Investa Listed Funds Management Limited (**ILFML**), as Responsible Entity of the Investa Office Fund (**IOF**) announces the release of the attached Notice of Meeting and Explanatory Memorandum (**Notice of Meeting**) in respect of a unitholder meeting to consider the proposal by entities affiliated with Oxford Properties Group (**Oxford**) to acquire all of the units in IOF by way of trust scheme (**Scheme**). This follows the provision of judicial advice by the Supreme Court of New South Wales confirming that ILFML is justified in despatching the Notice of Meeting to unitholders and convening the meeting.

It is expected that the Notice of Meeting and an accompanying proxy form will be mailed to IOF unitholders on or around 9 November 2018. IOF unitholders who have previously nominated an electronic means of notification will receive or be able to access the materials electronically.

Vote in favour of the Scheme

The Directors of ILFML unanimously recommend that IOF unitholders vote in favour of the Scheme, in the absence of a superior proposal.

The Directors of ILFML have appointed KPMG Corporate Finance as the Independent Expert to provide an opinion on the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of IOF unitholders in the absence of a superior proposal. In arriving at this opinion, the Independent Expert has assessed the Scheme to be fair and reasonable.

Scheme Meeting

A meeting of unitholders to consider the Scheme is currently scheduled to be held at **2.30pm (Sydney time) on 4 December 2018 at the Westin Hotel, Heritage Ballroom, 1 Martin Place, Sydney**. All IOF unitholders are encouraged to vote by completing and lodging the proxy form that will accompany the Notice of Meeting or alternatively by attending the Scheme meeting.

The Notice of Meeting is an important document that IOF unitholders should read in its entirety before making a decision as to how to vote (whether in person or by proxy). For proxy votes to be considered, they must be lodged with Link Market Services Limited by 2.30pm (Sydney time) on 2 December 2018.

IOF Unitholder Information Line

For further information in relation to the Scheme, IOF unitholders can contact the IOF Unitholder Information Line on +61 1300 851 394, between 8:30am and 7:30pm Monday to Friday (Sydney time), or consult their legal, investment or other professional adviser.

End

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About Investa Office Fund

Investa Office Fund (ASX code: IOF) is an externally managed Australian listed real estate investment trust, included in the S&P/ASX 100 index. IOF is governed by the Independent Board of Investa Listed Funds Management Limited as Responsible Entity, and managed by Investa – one of Australia's largest and most highly regarded office managers. IOF has total assets under management of over $4.3 billion, with 20 investment grade office buildings in core CBD markets across Australia. The Fund receives rental income from more than 400 tenants, including government agencies and blue chip organisations. IOF's strategy is to deliver attractive risk-adjusted returns investing in high quality Australian office buildings, leveraging Investa's fully integrated specialist property sector capabilities to outperform.

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Notice of Meeting and Explanatory Memorandum

IOF

Investa Office Fund (ASX: IOF)

In relation to the proposed acquisition by OPG TC II Pty Ltd (ACN 629 426 231) as trustee for the Glencoe Bid Trust and OPG TC I Pty Ltd (ACN 629 426 259) as trustee for the Barnes Bid Trust of all of the issued securities of Investa Office Fund comprising Armstrong Jones Office Fund (ARSN 090 242 229) and Prime Credit Property Trust (ARSN 089 849 196).

Vote in favour

The Directors of Investa Listed Funds Management Limited, the responsible entity of Investa Office Fund,

UNANIMOUSLY RECOMMEND

that IOF Unitholders vote in favour of the Proposal Resolutions, in the absence of a Superior Proposal.

Details of Meeting

Time: 2.30pm (Sydney time)
Date: Tuesday, 4 December 2018
Place: Westin Hotel, Heritage Ballroom, 1 Martin Place, Sydney

This is an important document and requires your immediate attention. You should read the whole document in its entirety before deciding how to vote.

If you are in any doubt about how to deal with this document, you should consult your legal, investment or other professional adviser.

Financial Adviser

J.P.Morgan

Legal Adviser

Allens > < Linklaters

Important Notices and Disclaimer

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General

This Explanatory Memorandum is important and requires your immediate attention. You should read this Explanatory Memorandum in full before making any decision as to how to vote at the Meeting. If you have sold all of your IOF Units, please ignore this Explanatory Memorandum.

If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

Purpose of this document

This Explanatory Memorandum has been prepared for IOF Unitholders in connection with the extraordinary general meeting to be held on Tuesday, 4 December 2018 in relation to the Oxford Proposal under which the Oxford Acquirer proposes to acquire all of the IOF Units on issue. The purpose of this Explanatory Memorandum is to provide IOF Unitholders with information about the Oxford Proposal and with information that is prescribed or otherwise which the Directors believe to be material to deciding whether or not to approve the Proposal Resolutions detailed in the Notice of Meeting included as Schedule 1 to this Explanatory Memorandum.

This Explanatory Memorandum does not constitute or contain an offer to IOF Unitholders, or a solicitation of an offer from IOF Unitholders, in any jurisdiction.

A copy of this Explanatory Memorandum has been provided to ASIC and ASX. None of ASIC or ASX, or their officers take any responsibility for the contents of this Explanatory Memorandum.

Court involvement

The Court provided the First Judicial Advice on Tuesday, 6 November 2018. The Court's provision of the First Judicial Advice is not and should not be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the Oxford Proposal. In particular, the Court's provision of the First Judicial Advice does not mean that the Court:

- has formed any view as to the merits of the Oxford Proposal or as to how IOF Unitholders should vote (on these matters IOF Unitholders must reach their own decision); or
- has prepared, or is responsible for, the content of this Explanatory Memorandum.

Notice of Second Judicial Advice hearing

On the Second Judicial Advice Date, the Court will consider whether to give the Second Judicial Advice following the vote at the Meeting.

Any IOF Unitholder may appear at the Second Judicial Advice hearing, expected to be held on Wednesday, 5 December 2018 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney.

Any IOF Unitholder who wishes to oppose the Second Judicial Advice at the Second Judicial Advice hearing may do so by filing with the Court and serving on IOF a notice of appearance in the prescribed form together with any affidavit that the IOF Unitholder proposes to rely on.

Responsible entity

ILFML is the responsible entity of the AJO Fund and the PCP Trust. The AJO Fund and the PCP Trust are managed investment schemes registered under Chapter 5C of the Corporations Act.

Unless the context otherwise requires in this Explanatory Memorandum, a reference to ILFML is a reference to it in its capacity as responsible entity of the AJO Fund and the PCP Trust.

Glossary

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary in Section 9.

No investment advice

This Explanatory Memorandum contains general financial product advice only and has been prepared without taking account of the investment objectives, financial situation, tax position or particular needs of any IOF Unitholder or any other person. The information and recommendations contained in this Explanatory Memorandum and the Taxation Report in Section 7 of this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice.

Before acting on any of the matters described in this Explanatory Memorandum, you should have regard to your investment objectives, financial situation, tax position or particular needs and obtain your own advice by contacting your legal, investment or other professional adviser.

Your investment in IOF is subject to investment and other risks, including possible loss of income and principal invested. ILFML gives no guarantee or assurance as to the performance of IOF, the IOF Units or the repayment of capital. Past performance is not indicative of future performance.

Forward looking statements

Some of the statements appearing in this Explanatory Memorandum may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Explanatory Memorandum (including in the Independent Expert's Report) should not be taken to be a forecast or prediction that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words.

Similarly, statements that describe the objectives, plans, goals or expectations of IOF are or may be forward looking statements. You should be aware that such statements are subject to inherent risks and uncertainties.

Those risks and uncertainties include factors and risks specific to the circumstances in which IOF operates, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected.

Neither ILFML nor IOF, their officers, agents or advisers, or any person named in this Explanatory Memorandum or involved in the preparation of this Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

This Explanatory Memorandum also contains forward looking statements based on the current expectations of ILFML about future events. The prospective information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective information.

Factors which may affect future financial performance include those matters identified in section 3.11, the assumptions underlying any forecast or forward looking statement financial information not proving correct and other matters not currently known to, or considered by, ILFML. IOF Unitholders should note that the historical financial performance of IOF is no assurance or indicator of future financial performance of IOF (whether or not the Oxford Proposal proceeds). ILFML does not guarantee any particular rate of return or the performance of IOF nor does it guarantee the repayment of capital or any particular tax treatment in respect of any investment in IOF. The pro forma financial information provided in this Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of ILFML's views on future financial conditions and/or performance.

The forward looking statements in this Explanatory Memorandum reflect facts, circumstances and views held only at the

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date of this Explanatory Memorandum. Subject to any continuing obligations under the ASX Listing Rules or the Corporations Act, ILFML and its officers, employees, agents and advisers disclaim any obligation or undertaking to distribute after the date of this Explanatory Memorandum any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to them or any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Except as outlined below, the information contained in this Explanatory Memorandum other than the Oxford Acquirer Group Information, the Taxation Report, and the Independent Expert's Report has been prepared by ILFML and is its responsibility alone. Except as outlined below, neither the Oxford Acquirer nor any of its Controlled Entities, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

The Oxford Acquirer has prepared and provided the Oxford Group Information and is responsible for that information. Neither ILFML nor IOF, nor any of their respective Controlled Entities, directors, officers, agents or advisers assume any responsibility for the accuracy or completeness of the Oxford Group Information.

KPMG Corporate Finance has prepared the Independent Expert's Report (as set out in Schedule 2 to this Explanatory Memorandum) and takes responsibility for that report.

Allens has prepared the Taxation Report (as set out in Section 7 of this Explanatory Memorandum) and takes responsibility for that report.

No consenting party has withdrawn their consent to be named before the date of this Explanatory Memorandum.

Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

IOF Unitholders who are nominees, trustees or custodians should seek independent advice as to how they should proceed.

This Explanatory Memorandum has been prepared in accordance with laws of the Commonwealth of Australia and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of jurisdictions outside Australia.

Privacy

ILFML may collect personal information in the process of implementing the Oxford Proposal. The type of information that they may collect about you includes your name, contact details and information on your unitholding in IOF and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Meeting, as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist ILFML to conduct the Meeting and implement the Oxford Proposal. Without this information, ILFML may be hindered in its ability to issue this Explanatory Memorandum and implement the Proposal. Personal information of the type described above may be disclosed to Link Market Services Limited, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of ILFML, Government Agencies, and also where disclosure is otherwise required or allowed by law.

IOF Unitholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of information about you held by ILFML, please contact the IOF Unitholder Information Line on +61 1300 851 394, between 8:30am and 7:30pm Monday to Friday (Sydney time).

IOF Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform that person of the matters relating to the collection and use of personal information outlined above.

Currency and financial information

Unless stated otherwise, all references to dollars, $, cents or c in this Explanatory Memorandum are to Australian currency.

Unless stated otherwise or implied, references to dates or years are financial year references. All financial and operational information contained in this Explanatory Memorandum is current as at the date of this Explanatory Memorandum unless otherwise specified.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at 30 June 2018.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Explanatory Memorandum are subject to the effect of rounding.

Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Explanatory Memorandum.

As a result, any calculations you make based on the figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Explanatory Memorandum may differ from the correct answers to those calculations.

Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

Timetable and dates

All times and dates referred to in this Explanatory Memorandum are times and dates in Australian Eastern Standard Time, being the time in Sydney, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Oxford Proposal referred to in this Explanatory Memorandum may change and, among other things, are subject to all necessary approvals from Government Agencies.

Additional information

If, after reading this Explanatory Memorandum, you have any questions regarding the Oxford Proposal, please call the IOF Unitholder Information Line on +61 1300 851 394, between 8:30am and 7:30pm Monday to Friday (Sydney time), or consult your legal, investment or other professional adviser.

Date of Explanatory Memorandum

This Explanatory Memorandum is dated 6 November 2018.

This Explanatory Memorandum may be updated. Any updates will be available for inspection on the website at https://www.investa.com.au/funds/iof/asx-announcements. If you access an electronic version of the Explanatory Memorandum you should ensure you download and read the entire Explanatory Memorandum.

Contents

Letter from the Chairman	3
Key Dates	6
1. Key Questions	8
2. ILFML Directors' Recommendation and Evaluation of the Oxford Proposal	18
3. Overview of the Oxford Proposal	26
4. Profile of IOF	30
5. Profile of the Oxford Acquirer	43
6. Implementation of the Oxford Proposal	46
7. Taxation Report	49
8. Additional Information	55
9. Glossary and Interpretation	65
Schedule 1 – Notice of Meeting	77
Schedule 2 – Independent Expert's Report	82
Schedule 3 – Deed Poll	161
Schedule 4 – Supplemental Deeds Poll	172
Corporate Directory	201

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Letter from the Chairman

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6 November 2018

Dear IOF Unitholder,

On behalf of the Directors of Investa Listed Funds Management Limited (***ILFML***), the responsible entity of Investa Office Fund (***IOF***), I am pleased to provide you with this Explanatory Memorandum which contains details in relation to the proposed acquisition of IOF by OPG TC II Pty Ltd as trustee for the Glencoe Bid Trust (***Oxford AJO Bid Trust***) and OPG TC I Pty Ltd as trustee for the Barnes Bid Trust (***Oxford PCP Bid Trust***) (together, the ***Oxford Acquirer***), to be implemented by way of trust scheme (***Oxford Proposal***). Each Oxford Acquirer is a newly-established Australian entity, which is ultimately owned by OMERS Administration Corporation (***OMERS***).

The Oxford Proposal follows on from the earlier IOF acquisition proposal made by entities affiliated with The Blackstone Group L.P. (***Blackstone***), which has now been terminated.

Termination of Blackstone Proposal

On 12 June 2018, ILFML entered into a scheme implementation agreement (***Blackstone SIA***) under which it was proposed that Blackstone would acquire IOF by way of trust scheme (***Blackstone Proposal***) for cash consideration of $5.1485 per IOF Unit[1]. The consideration payable under the Blackstone Proposal was subsequently increased to $5.52 per IOF Unit in circumstances where the IOF Unitholders voted on the Blackstone Proposal on or prior to 17 September 2018 and $5.3485 in circumstances where IOF Unitholders voted on the Blackstone Proposal after 17 September 2018.[1]

On 13 September 2018, ILFML received an unsolicited, non-binding, indicative and conditional proposal from Oxford Properties Group (***Oxford***), the real estate arm of OMERS, to acquire IOF for cash consideration of $5.60 per IOF Unit[2]. Following this development, ILFML adjourned the IOF Unitholder meeting scheduled to occur on 17 September 2018 and granted Oxford a four week due diligence period to formulate a binding proposal capable of acceptance.

After completing confirmatory due diligence, on 12 October 2018, Oxford submitted a binding proposal that was capable of acceptance by ILFML to acquire IOF for $5.60 per unit[2]. Blackstone did not exercise its matching rights under the Blackstone SIA to provide ILFML with a matching or superior proposal to the binding Oxford Proposal. As a result, ILFML:

- entered into a scheme implementation agreement with the Oxford Acquirer (***Oxford SIA***) to give effect to the Oxford Proposal; and
- terminated the Blackstone SIA and paid a break fee of $32,006,439 to Blackstone.

Summary of Oxford Proposal

Under the Oxford Proposal, the Oxford Acquirer has offered to acquire all of the units in IOF for $5.60 cash per IOF Unit[2], less any distributions declared or paid by IOF on or after 13 September 2018 and prior to implementation of the Oxford Proposal. It is not expected that IOF will declare a distribution prior to implementation of the Oxford Proposal.

The Oxford Proposal is subject to a number of customary conditions including receipt of judicial advice from the Court, regulatory approvals and approval by IOF Unitholders. If the Oxford Proposal is successfully implemented, the Oxford Acquirer will acquire all of the IOF Units on issue and an application will be made for IOF to be delisted from the ASX.

Associates of the Oxford Acquirer currently hold approximately 19.99% of the units in IOF.

Independent Expert's Opinion

The Directors of ILFML have appointed KPMG Corporate Finance as the Independent Expert to provide an opinion on the Oxford Proposal.

The Independent Expert has concluded that the Oxford Proposal is in the best interests of IOF Unitholders in the absence of a superior proposal.

In arriving at this opinion, the Independent Expert has assessed the Oxford Proposal to be fair and reasonable as the Proposal Consideration of $5.60 per IOF Unit[2] exceeds the Independent Expert's assessed value range of $5.49 to $5.52 per IOF Unit.

1. *Taking into account the distribution paid in respect of the half-year ending 30 June 2018, and less any further distributions declared or paid by IOF on or after 4 May 2018 and prior to implementation of the Blackstone Proposal.*
2. *Less distributions declared or paid on or after 13 September 2018.*

Letter from the Chairman

The Independent Expert has also considered a range of other factors IOF Unitholders may wish to take into account in considering whether to approve the Oxford Proposal, including the following:

- The Proposal Consideration represents a 2.2% premium to Pro Forma NTA as at 30 June 2018, and a substantial premium to IOF trading prices over a one, three, and six month period prior to announcement of the initial Blackstone Proposal.
- The Proposal Consideration is in cash and allows IOF Unitholders to immediately realise value from their investment at a price that includes a premium for control.
- In the absence of the Oxford Proposal or a superior proposal, the IOF Unit price is likely to fall.
- No superior proposal has emerged since the announcement of the Oxford Proposal and Blackstone has advised that it would not provide a matching or superior offer to the Oxford Proposal. In addition, the length of time that has elapsed since Blackstone's initial proposal and Oxford's 19.9973% interest in IOF, in the Independent Expert's view, reduce the likelihood that a superior proposal will emerge.

Schedule 2 of this Explanatory Memorandum contains a full copy of the Independent Expert's Report. IOF Unitholders should read the report in its entirety. A summary of the range of factors relevant to the Independent Expert's assessment of the Proposal are set out in Section 3 of the Independent Expert's Report.

ILFML Directors' Recommendation

The Directors of ILFML unanimously recommend that IOF Unitholders vote in favour of the Oxford Proposal in the absence of a Superior Proposal.

Until announcement of the Oxford Proposal, IOF Units did not trade at a price above the Proposal Consideration of $5.60 per IOF Unit since 26 September 2008, which is over 10 years ago.

The Proposal Consideration of $5.60 per IOF Unit also represents a:

- 1.4% premium to the highest price offered by Blackstone for IOF Units of $5.52 per IOF Unit[3];
- 4.7% premium to the base consideration offered under the Blackstone Proposal of $5.3485 per IOF Unit[4];
- 23.1% premium to IOF's ex-distribution price of $4.55 per IOF Unit on 25 May 2018, being the last trading day prior to announcement of the initial Blackstone Proposal;[5]
- 26.1% premium to the 1 month VWAP of IOF Units up to 25 May 2018, being the last trading day prior to announcement of the initial Blackstone Proposal, of $4.44 per IOF Unit;
- 28.7% premium to the 3 month VWAP of IOF Units up to 25 May 2018, being the last trading day prior to announcement of the initial Blackstone Proposal, of $4.35 per IOF Unit; and
- 2.2% premium to IOF's Pro Forma NTA per IOF Unit as at 30 June 2018 of $5.48.

This Oxford Proposal follows a significant period of corporate activity involving IOF over the last six months. During this period, Blackstone improved the consideration offered for IOF Units three times and Oxford submitted two non-binding indicative competing proposals. The consideration under the Oxford Proposal of $5.60 per IOF Unit represents a 65.15 cent or 13.2% increase to Blackstone's initial distribution-adjusted offer price of $4.9485 per IOF Unit that was received in April 2018.

In the Directors' opinion, the cash nature of the Oxford Proposal offers IOF unitholders an opportunity to exit their investment in IOF at a price that is certain and which incorporates a substantial premium for control. The premiums to IOF's trading price implied by the Oxford Proposal compare favourably to other change of control transactions that have occurred within the A-REIT sector in the last five years.

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3. *Under the Blackstone Proposal, the consideration was $5.52 per IOF Unit in circumstances where IOF Unitholders voted on and approved the Blackstone Proposal on or prior to 17 September 2018 (and taking into account the distribution paid in respect of the half-year ending 30 June 2018, and less any further distributions declared or paid by IOF on or after 4 May 2018 and prior to implementation of the Blackstone Proposal).*
4. *Under the Blackstone Proposal, the consideration was $5.3485 per IOF Unit in circumstances where IOF Unitholders voted and approved the Blackstone Proposal after 17 September 2018 (and taking into account the distribution paid in respect of the half-year ending 30 June 2018, and less any further distributions declared or paid by IOF on or after 4 May 2018 and prior to implementation of the Blackstone Proposal).*
5. *The ex-distribution price has been calculated as IOF's closing price on 25 May 2018 of $4.63 less the pro-rated amount of the distribution of 10.15 cents per IOF Unit declared on 18 June 2018. The pro rata calculation is based on the number of days between IOF's ex-distribution dates for 1H18 (28 December 2017) and 2H18 (28 June 2018).*

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The Oxford Proposal represents a high multiple of IOF's forecast FY19 FFO and distributions and also represents a premium to IOF's Pro Forma NTA as at 30 June 2018 (which includes the revaluation of all of IOF properties on 31 May 2018 and further revaluation of 151 Clarence Street on 30 September 2018[6]). In comparison, IOF's average closing price discount to NTA for the three and twelve months prior to announcement of the initial Blackstone Proposal was 12.4% and 7.4% respectively.

Meeting and Implementation Process

The Oxford Proposal requires the approval of IOF Unitholders at a Meeting proposed to be held at 2.30pm (Sydney time) on Tuesday, 4 December 2018 at the Westin Hotel, Heritage Ballroom, 1 Martin Place, Sydney. To proceed with implementation of the Oxford Proposal, IOF Unitholders must pass (by the requisite majorities) each of the resolutions contained in the Notice of Meeting that can be found in Schedule 1 of this Explanatory Memorandum.

If the Proposal Resolutions are passed by the requisite majorities at the Meeting and the other Conditions Precedent are satisfied or waived (as applicable), the Oxford Proposal will be implemented consistently with the indicative timetable set out in the 'Key Dates' section on page 6. This anticipates IOF being suspended from trading on Thursday, 6 December 2018 and payment of the Proposal Consideration to IOF Unitholders on Friday, 14 December 2018.

What you should do next

This Explanatory Memorandum (including the Independent Expert's Report) contains important information in relation to the Oxford Proposal, and should be read carefully prior to making a decision on how to vote on the Proposal Resolutions at the Meeting.

All IOF Unitholders on the IOF Register as at 7pm (Sydney time) on Sunday, 2 December 2018 will be entitled to attend and vote at the Meeting (subject to any applicable voting exclusions). Votes may be cast in person, by proxy, by attorney, or in the case of a corporation by its duly appointed corporate representative. Please see the Notice of Meeting and Section 3.5 of this Explanatory Memorandum for further details on how votes may be cast and timing requirements.

Please note that if you have previously submitted a proxy form in connection with the Blackstone Proposal, that form will not be valid in connection with the Oxford Proposal. In order to cast a valid vote on the proposed resolutions for the Oxford Proposal, you must complete and return a new proxy form to the IOF Registry in accordance with the details contained in Section 6 of Schedule 1 of this Explanatory Memorandum.

If you have any questions in relation to the Oxford Proposal, please contact the IOF Unitholder Information Line on +61 1300 851 394 between 8.30am and 7.30pm (Sydney time) Monday to Friday.

Conclusion

I look forward to your participation at the Meeting on 4 December 2018 and encourage you to vote in favour of the resolutions relating to the Oxford Proposal in the absence of a Superior Proposal.

Yours sincerely

Richard Longes
Chairman
INVESTA LISTED FUNDS MANAGEMENT LIMITED

6. *In accordance with the IOF valuation policy, ILFML internally reviewed the valuation of the entire IOF portfolio as at 30 September 2018 and determined that, external valuations were not necessary for any property other than the property at 151 Clarence Street, as it was unlikely that the valuation of the other properties in the portfolio had moved by a material amount to the current carrying value.*

Key Dates

Date of this Explanatory Memorandum	Tuesday, 6 November 2018
Time and date by which Proxy Forms must be received	2.30pm, Sunday, 2 December 2018
Voting Record Date	7pm, Sunday, 2 December 2018
Time and date of the Meeting	2.30pm, Tuesday, 4 December 2018

If the Oxford Proposal is approved by IOF Unitholders and all other Conditions Precedent in connection with the Oxford Proposal are fulfilled or waived, the following key dates apply:

Second Judicial Advice Date	Wednesday, 5 December 2018
Effective Date*	Thursday, 6 December 2018
Record Date	Monday, 10 December 2018
Implementation Date	Friday, 14 December 2018

Dates and times are indicative only and are subject to change. Unless otherwise specified, all times and dates refer to Sydney time. Any changes to the timetable will be notified to the ASX and made available on the website at https://www.investa.com.au/funds/iof/asx-announcements.

* IOF Units will be suspended from trading on the ASX at the close of trading on the Effective Date. If the Oxford Proposal proceeds, this will be the last day that IOF Units will trade on ASX.

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What to do next

STEP 1 CAREFULLY READ THIS EXPLANATORY MEMORANDUM IN FULL

You should read this Explanatory Memorandum in full before making any decision on how to vote. It contains important information to assist you in deciding how to vote on the Proposal Resolutions.

It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial circumstances. The 'Frequently Asked Questions' in Section 1 of this Explanatory Memorandum may help answer some of your questions.

If after reading this Explanatory Memorandum, you have any questions regarding the Oxford Proposal or the Proposal Resolutions, contact the IOF Unitholder Information Line on +61 1300 851 394 between 8.30am and 7.30pm (Sydney time) Monday to Friday, or consult an independent, appropriately licensed and authorised professional adviser without delay.

STEP 2 VOTE ON THE PROPOSAL RESOLUTIONS

YOUR VOTE IS IMPORTANT

If you are an IOF Unitholder on the Voting Record Date you are entitled to vote on the Proposal Resolutions at the Meeting.

The Independent Expert has concluded that the Oxford Proposal is in the best interests of IOF Unitholders in the absence of a superior proposal. In arriving at this opinion, the Independent Expert has assessed the Oxford Proposal to be fair and reasonable. The Directors unanimously recommend that IOF Unitholders vote in favour of the Proposal Resolutions, in the absence of a Superior Proposal.

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Key Questions

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1

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This Section 1 answers some frequently asked questions about the Oxford Proposal. It is not intended to address all relevant issues for IOF Unitholders. This Section 1 should be read together with all other parts of this Explanatory Memorandum.

Question	Answer	More information
This Explanatory Memorandum and Notice of Meeting		
1. Why have I received this Notice of Meeting and Explanatory Memorandum?	This is a Notice of Meeting and Explanatory Memorandum that has been sent to you because you are an IOF Unitholder and you are being asked to vote on the Proposal Resolutions. This Notice of Meeting and Explanatory Memorandum is intended to help you decide how to vote.	N/A
Proposal Overview		
2. What is the Oxford Proposal?	The Oxford Proposal involves the acquisition by the Oxford Acquirer of all of the IOF Units from the Proposal Participants by way of a trust scheme facilitated by amendments to the IOF Constitutions and a resolution pursuant to section 611 item 7 of the Corporations Act. The Proposal Consideration is in the form of cash. If the Oxford Proposal becomes Effective and is implemented then: • the Oxford Acquirer will acquire all IOF Units; and • Proposal Participants will receive the Proposal Consideration of $5.60 per IOF Unit[1]. Associates of the Oxford Acquirer currently hold approximately 19.99% of the units in IOF.	Section 3
3. What will I receive if the Oxford Proposal becomes Effective and is implemented?	If the Oxford Proposal becomes Effective, Proposal Participants will receive a cash payment of $5.60 per IOF Unit[1] on the Implementation Date. Any aggregate cash amount payable to a Proposal Participant will be rounded to the nearest whole cent.	Section 3.3
4. Will I receive a distribution for the half year ending 31 December 2018?	Under the current timetable, the Oxford Proposal is expected to be implemented on 14 December 2018. As a result, the ILFML Directors do not intend to declare or pay a distribution prior to implementation of the Oxford Proposal. If the Oxford Proposal is not approved by IOF Unitholders, the ILFML Directors will assess and determine whether a distribution should be declared and paid in respect of the half year ending 31 December 2018. Consistent with IOF's distribution policy and FY19 earnings guidance, ILFML expects that a distribution would be declared and paid for the half year in circumstances where the Oxford Proposal is not approved.	Section 4.11
5. What will happen to IOF if the Oxford Proposal becomes Effective and is implemented?	If the Oxford Proposal becomes Effective and is implemented, IOF will be acquired by the Oxford Acquirer and an application will be made for termination of the official quotation of IOF Units on ASX, and to have IOF removed from the official list of ASX.	Sections 6.6 and 6.7
6. Who is entitled to participate in the Oxford Proposal?	If the Proposal Resolutions are passed and the Conditions Precedent are satisfied or waived (if applicable) and the Oxford Proposal becomes Effective and is implemented, all IOF Unitholders on the IOF Register at the Record Date will become entitled to receive the Proposal Consideration in respect of the IOF Units they hold at that time.	Section 6.4
7. Are there conditions to the Oxford Proposal proceeding?	Implementation of the Oxford Proposal is subject to the satisfaction or waiver (as applicable) of a number of Conditions Precedent. These Conditions Precedent are summarised in Sections 3.2 and 8.3 of this Explanatory Memorandum.	Sections 3.2 and 8.3

1. *Less distributions declared or paid on or after 13 September 2018. It is not expected that IOF will declare or pay a distribution prior to implementation of the Oxford Proposal.*

1. Key Questions

Question	Answer	More information
8. Are there any termination rights?	The Oxford SIA contains standard termination rights for both the Oxford Acquirer and IOF. These include mutual termination rights if: • the Conditions Precedent are not satisfied or waived (as applicable); • the other party is in material breach of its obligations or warranties in the Oxford SIA, which is not remedied within 5 business days of receiving notice of the breach; • the Oxford Proposal has not become Effective on or before the End Date; or • the Proposal Resolutions are not approved by the requisite majority at the Meeting.	Section 8.3
Independent Expert opinion and the Directors' recommendation		
9. What is the opinion of the Independent Expert?	**The Independent Expert has concluded that the Oxford Proposal is in the best interests of IOF Unitholders in the absence of a superior proposal.** In arriving at this opinion, the Independent Expert has assessed the Oxford Proposal to be fair and reasonable as the Proposal Consideration of $5.60 per IOF Unit[2] exceeds the Independent Expert's assessed value range for an IOF Unit of $5.49 to $5.52 per IOF Unit.	Independent Expert's Report (Schedule 2)
10. Do the Directors recommend the Oxford Proposal?	The Directors unanimously recommend that IOF Unitholders vote in favour of the Oxford Proposal in the absence of a Superior Proposal.	Section 2
11. How do the Directors intend to vote?	The Directors intend to vote all IOF Units they hold or control in favour of the Oxford Proposal, in the absence of a Superior Proposal.	N/A
Benefits, potential disadvantages and risks of the Oxford Proposal		
12. Why might I consider voting in favour of the Oxford Proposal?	Reasons you may consider voting in favour of the Oxford Proposal include: • until announcement of the Oxford Proposal, IOF Units did not trade at a price above the Proposal Consideration of $5.60 per IOF Unit since 26 September 2008, which is over 10 years ago; • the Independent Expert has concluded that the Proposal is in the best interests of IOF Unitholders in the absence of a superior proposal. In arriving at this opinion, the Independent Expert has assessed the Oxford Proposal to be fair and reasonable as the Proposal Consideration of $5.60 per IOF Unit[2] exceeds the Independent Expert's valuation range of $5.49-$5.52 per IOF Unit; • the consideration under Oxford Proposal represents an attractive and certain cash premium to the historic trading prices of IOF Units; • if the Oxford Proposal does not proceed, and no Superior Proposal emerges, the price of IOF Units may fall; • no Superior Proposal has been received as at the date of this Explanatory Memorandum; • no brokerage will be payable by you on the transfer of your IOF Units under the Proposal; and • the Oxford Proposal represents a superior outcome to a managed winding-up of IOF.	Section 2

2. *Less distributions declared or paid on or after 13 September 2018.*

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Question	Answer	More information
13. Why might I consider voting against the Oxford Proposal?	Reasons why you may consider voting against the Oxford Proposal include: • you may disagree with the ILFML Board's recommendation and the opinion of the Independent Expert and consider that the Oxford Proposal is not in your best interests; • you may prefer to realise the potential value of IOF over the long term and may consider that the Oxford Proposal does not capture IOF's long-term potential; • you may prefer to participate in future distributions which may be payable to IOF Unitholders (including in respect of the half year ending 31 December 2018) rather than receiving the Proposal Consideration; • you may believe that it is in your best interests to maintain your current investment and risk profile; • the tax consequences of the Oxford Proposal may not suit your current financial position; and • you may believe that there is the potential for a Superior Proposal to be made in the future, however, as at the date of this Explanatory Memorandum, no Superior Proposal has been received by the ILFML Board.	Section 2
Meeting details, voting and approval thresholds		
14. When and where will the Meeting be held?	The Meeting will be held at the Westin Hotel, Heritage Ballroom, 1 Martin Place, Sydney on Tuesday, 4 December 2018, commencing at 2.30pm (Sydney time).	Notice of Meeting (Schedule 1)
15. Who is eligible to vote at the Meeting?	All IOF Unitholders on the IOF Register as at 7pm (Sydney time) on Sunday, 2 December 2018 (the ***Voting Record Date***) are entitled to attend and vote at the meeting, except that: • for the purposes of the **Trust Acquisition Resolutions**, and in accordance with item 7, section 611, the Oxford Acquirer and its Associates must not cast any votes in favour of the resolutions, and in accordance with and section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF; • for the purposes of the **Trust Constitution Amendment Resolutions**, and in accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF. In addition, in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of these Proposal Resolutions by the Oxford Acquirer or its Associates will be disregarded; and • for the purposes of the **De-stapling Resolutions**, and in accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF. In addition, in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of these Proposal Resolutions by the Oxford Acquirer or its Associates will be disregarded. As at the date of this Explanatory Memorandum, the Oxford Acquirer and its Associates hold 119,667,397 IOF units, representing 19.9973% of the total number of IOF Units.	Section 3.5 and Notice of Meeting (Schedule 1)
16. Why should I vote?	Voting is not compulsory. However your vote will be important in determining whether the Oxford Proposal will proceed. The Directors recommend that you read this Explanatory Memorandum carefully and vote in favour of the Oxford Proposal, in the absence of a Superior Proposal.	N/A

1. Key Questions

Question	Answer	More information
17. Can I oppose the Oxford Proposal on the Second Judicial Advice Date?	Each IOF Unitholder has the right to appear and make submissions at the Court on the Second Judicial Advice Date at 9.15am on Wednesday, 5 December 2018. Any IOF Unitholder who wishes to oppose the Second Judicial Advice at the Second Judicial Advice hearing may do so by filing with the Court and serving on IOF a notice of appearance in the prescribed form together with any affidavit that the IOF Unitholder proposes to rely on.	N/A
18. What are the Proposal Resolutions?	The Proposal Resolutions are: • The **Trust Acquisition Resolutions**: an ordinary resolution to approve the Oxford Proposal for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes including the acquisition of a Relevant Interest in all the IOF Units by the Oxford Acquirer. • The **Trust Constitution Amendment Resolutions**: a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the IOF Constitutions as set out in each Supplemental Deed Poll. • The **De-Stapling Resolutions**: a special resolution to approve the de-stapling of AJO Units from PCP Units.	Notice of Meeting (Schedule 1)
19. What voting majorities are required for the Oxford Proposal?	Approval of the Oxford Proposal will require IOF Unitholders to approve each resolution by the requisite majorities. The Proposal Resolutions are interdependent and the Oxford Proposal will only proceed if all Proposal Resolutions are passed at the Meeting by the requisite majorities. For the Proposal Resolutions to be approved: • The **Trust Acquisition Resolutions** must be passed by at least 50% of the total number of votes cast on the resolution by IOF Unitholders entitled to vote on the resolution at the Meeting. *For the purposes of these Proposal Resolutions:* – *In accordance with item 7, section 611 of the Corporations Act, the Oxford Acquirer and its Associates must not cast any votes in favour of the resolution.* – *In accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of IOF.* • The **Trust Constitution Amendment Resolutions** must each be passed by at least 75% of the total number of votes cast on the relevant resolution by IOF Unitholders entitled to vote on the resolution at the Meeting. *For the purposes of these Proposal Resolutions:* – *in accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF; and* – *in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of these Proposal Resolutions by the Oxford Acquirer or its Associates will be disregarded.* • The **De-Stapling Resolutions** must each be passed by at least 75% of the total number of votes cast on the relevant resolution by IOF Unitholders entitled to vote on the resolutions at the Meeting. *For the purposes of these Proposal Resolutions:* – *in accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF; and* – *in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of these Proposal Resolutions by the Oxford Acquirer or its Associates will be disregarded.*	Section 3.5 and Notice of Meeting (Schedule 1)

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Question	Answer	More information
20. How do I vote?	You may vote in person by attending the Meeting. Alternatively, if you do not want to, or cannot, attend in person, you can vote by proxy, by attorney or by corporate representative (in the case of a body corporate) in accordance with the instructions in the Notice of Meeting.	Notice of Meeting (Schedule 1)
21. What happens if I vote against the Oxford Proposal or do not vote?	If you do not vote, or if you vote against the Oxford Proposal or any of the Proposal Resolutions, then the Oxford Proposal may not be approved. The Oxford Proposal cannot be implemented unless all Proposal Resolutions are passed by the requisite majorities of IOF Unitholders at the Meeting. However, even if you do not vote or vote against any of the Proposal Resolutions, this does not mean the Oxford Proposal will not be approved. If you vote against the Proposal Resolutions and those resolutions are approved and the Conditions Precedent are satisfied or waived (if applicable) and the Oxford Proposal becomes Effective, the Oxford Proposal will be implemented.	N/A
22. Can I keep my IOF Units if the Oxford Proposal is approved, becomes Effective and is implemented?	If the Proposal Resolutions are passed by the requisite majorities (even if you did not vote, or voted against the Proposal Resolutions) and you are a Proposal Participant, then if the Oxford Proposal becomes Effective and is implemented, you will be bound by the Oxford Proposal and the Oxford Acquirer will acquire all of your IOF Units and you will receive the Proposal Consideration.	N/A
23. What happens if the Proposal Resolutions are not approved?	If any of the Proposal Resolutions are not approved by the requisite majorities of IOF Unitholders at the Meeting or any other Conditions Precedent are not satisfied or waived (if applicable): • IOF Unitholders will not receive the Proposal Consideration; • The ILFML Directors will assess and determine whether a distribution should be declared and paid in respect of the half year ending 31 December 2018. Consistent with IOF's distribution policy and FY19 earnings guidance, ILFML expects that a distribution would be declared and paid for the half year if the Proposal Resolutions are not approved; and • IOF will remain listed on ASX and will continue to be externally managed by the Investa Property Group.	Section 3.11
The Oxford Acquirer		
24. Who is Oxford?	Oxford was founded in 1960 and is a leading global development, real estate investment and management platform. At September 2018, Oxford had global assets under management of over C$48 billion, focused on major global urban centres in Canada, the US, Europe and Asia, where it believes in market fundamentals and the prospect of delivering superior long-term returns. The platform is well diversified across markets, property types and industry sectors, and Oxford successfully leverages its vertical integration and geographic diversification to build and maintain a leadership position in the markets in which it chooses to operate. Oxford's portfolio includes over 60 million square feet of office, retail and industrial properties, along with over 7,400 residential suites and 2,880 hotel rooms, and a development pipeline of global development projects. Oxford is headquartered in Toronto with offices and teams across Canada and in London, Paris, New York, Washington DC, Boston, San Francisco, Berlin, Luxembourg, Singapore and Sydney.	

1. Key Questions

Question	Answer	More information
25. Who is OMERS?	The OMERS Pension Plans are one of Canada's largest pension plans with net assets of approximately C$95 billion. OMERS is a non-share corporation continued under the laws of Ontario, Canada, which serves as the administrator of the Ontario Municipal Employees Retirement System Pension Plans (***OMERS Pension Plans***) and as trustee of the pension funds. OMERS conducts its real estate activities via Oxford Properties Group (***Oxford***). With employees in Toronto and other major cities across North America, the UK, Continental Europe and Asia Pacific, OMERS invests and administers pensions for more than 480,000 members who work for municipalities, school boards, emergency services and local agency employers across Ontario. The cornerstone of OMERS' investment strategy is its approach to asset allocation across five strategic asset classes – real estate, platform investments, infrastructure, capital markets and private equity. To date, OMERS has committed substantial capital across Asia Pacific, including significant real estate investments via participation in the take-private of GLP in Singapore and the forthcoming office development scheme at Central Barangaroo in Sydney. Other notable investments include OMERS participation in the acquisition of the Port of Melbourne.	Section 5.1
26. Who is the Oxford Acquirer?	Oxford AJO Bid Trust and Oxford PCP Bid Trust, together known as the Oxford Acquirer, are newly-established Australian entities which are ultimately owned by OMERS. The trustees of each of Oxford AJO Bid Trust and Oxford PCP Bid Trust are subsidiaries of OMERS.	Sections 5.1 and 5.2
27. How is the Oxford Acquirer funding the Proposal Consideration?	The Oxford Acquirer has advised ILFML that it has in place binding equity commitments sufficient to meet its obligations to pay the Proposal Consideration in full (such that the Scheme is not subject to debt financing arrangements). However, the Oxford Acquirer is proposing to put in place a syndicated debt finance facility to part fund the aggregate Proposal Consideration and expects that the facility, if agreed, would be available for funding at or around implementation of the Oxford Proposal. As noted above, given the equity commitment from OMERS, the Oxford Acquirer's ability to make payment of the entire Proposal Consideration is not dependent upon any such debt facility being put in place.	Section 5.3
implementation and other matters		
28. When will the Oxford Proposal be completed and implemented?	If the Proposal Resolutions are passed and the Conditions Precedent are satisfied or waived (if applicable) and the Oxford Proposal becomes Effective, the Oxford Proposal will be implemented on the Implementation Date, which is expected to be 14 December 2018.	Key Dates
29. When will I be paid the Proposal Consideration?	ILFML must, subject to being provided with the aggregate Proposal Consideration by the Oxford Acquirer, pay the Proposal Consideration to the Proposal Participants on the Implementation Date, which is expected to be 14 December 2018.	Key Dates and Section 6.6
30. Can I sell my IOF Units on the ASX?	You can sell your IOF Units on the ASX up to and including the Effective Date.	N/A

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Question	Answer	More information
31. Does the Oxford Acquirer intend to remove the responsible entity of IOF or the trustees of the unit trusts and sub-trusts within the IOF Group?	The Oxford Proposal does not involve any changes to the responsible entity of IOF. Given the scale of IOF's portfolio and Oxford's current management capability in Australia, Oxford Acquirer will appoint an asset manager to manage IOF's portfolio following implementation. Having regard to its excellent track record of managing office assets in Australia, its success in managing the IOF portfolio and its deep knowledge of the IOF assets, it is likely that Oxford Acquirer will retain Investa Property Group as the manager of the IOF portfolio although no final decision has been made. Any such appointment would be subject to negotiations with Investa Property Group and reaching agreement on the terms of the appointment including scope of services, duration and fee arrangements.	Section 5.4
32. What happens if a Competing Proposal for IOF emerges?	If a Competing Proposal emerges, the Directors, having regard to their obligations under the Oxford SIA (including the "no talk" and "no shop" restrictions in that agreement), will consider the merits of that proposal. If the Directors consider the Competing Proposal is a Superior Proposal, then: • IOF Unitholders will be informed through an announcement on ASX; and • the Directors will carefully consider the Superior Proposal and will provide you with their recommendation and additional detail in relation to that proposal. Subject to limited exceptions, ILFML must pay to the Oxford Acquirer a break fee of approximately $33.5 million if any of the Directors recommend a Competing Proposal.	N/A
33. When is a break fee payable?	Under the Oxford SIA, subject to limited exceptions, ILFML must pay to the Oxford Acquirer a break fee of approximately $33.5 million if certain specified events occur, including if any of the Directors recommend a Competing Proposal. However the break fee will not be payable only because the Proposal Resolutions are not approved at the Meeting.	Section 8.3
34. What happened to the earlier Blackstone Proposal to acquire IOF?	The Blackstone SIA contained exclusivity provisions that regulated the actions that ILFML would be permitted to take with respect to any competing proposal. Under the Blackstone SIA, ILFML was not able to enter into the Oxford SIA and change its recommendation of the Blackstone Proposal unless it first: • determined that the Oxford Proposal was a 'Superior Proposal' (as defined in the Blackstone SIA), after having considered the matter in good faith and having taken advice from its legal and financial advisers; and • complied with the matching rights regime in the Blackstone SIA (which required Blackstone to be given a minimum 4 Business Day period to provide a matching or superior proposal to the Oxford Proposal). Following receipt of a binding proposal from Oxford to acquire IOF for $5.60 per unit[3], the Directors determined that the Oxford Proposal was a Superior Proposal and commenced the matching right process. As Blackstone did not exercise its matching rights, ILFML: • entered into the Oxford SIA to give effect to the Oxford Proposal; and • terminated the Blackstone SIA and paid a break fee of $32,006,439 to Blackstone.	Chairman's Letter

3. *Less distributions declared or paid on or after 13 September 2018.*

1. Key Questions

Question	Answer	More information
35. What are the transaction costs associated with the Oxford Proposal?	The Oxford Acquirer and IOF will each incur transaction costs as part of the Oxford Proposal. The Oxford Acquirer and ILFML are each responsible for paying their own costs. ILFML estimates that IOF will incur one-off transaction costs related to the Oxford Proposal and the Blackstone Proposal of approximately $39.7 million (including the break fee of $32,006,439 paid to Blackstone under the Blackstone SIA), which will be payable by IOF regardless of whether or not the Oxford Proposal is implemented. Additional transaction costs will become payable if the Oxford Proposal is implemented.	Sections 3.11 and 4.6(c)(vi)
36. Do I have to pay brokerage fees or stamp duty to participate in the Oxford Proposal?	No brokerage or stamp duty will be payable by Proposal Participants on the transfer of their IOF Units under the Oxford Proposal or the receipt by Proposal Participants of the Proposal Consideration. If an IOF Unitholder disposes of their IOF Units before the Record Date, brokerage may be payable.	Section 3.10
37. What are the tax implications of the Oxford Proposal for IOF Unitholders?	The Oxford Proposal, upon becoming Effective, should give rise to a CGT event for the IOF Unitholders. IOF Unitholders who hold their IOF Units on capital account should realise either a capital gain or capital loss. For detailed tax implications of the Oxford Proposal, refer to the Taxation Report in Section 7 of this Explanatory Memorandum which sets out the general Australian taxation implications for IOF Unitholders in respect of the Oxford Proposal. IOF Unitholders should seek professional tax advice regarding the tax implications of the Oxford Proposal.	Section 7
38. What happens if the Oxford Acquirer considers, or reasonably believes, that a particular IOF Unitholder is a 'relevant foreign resident' for the purposes of Australian foreign resident capital gains tax withholding rules?	Under Australian foreign resident capital gains tax withholding rules, the Oxford Acquirer may be required to withhold and pay to the ATO 12.5% of the Proposal Consideration otherwise payable to an IOF Unitholder who is a 'relevant foreign resident' and whose IOF Units constitute an 'indirect Australian real property interest'. An IOF Unitholder may be a 'relevant foreign resident' if the Oxford Acquirer: • knows or reasonably believes the IOF Unitholder is a foreign resident; or • does not reasonably believe the IOF Unitholder is an Australian resident, and either: – the IOF Unitholder has an address outside Australia; or – the Oxford Acquirer is authorised to pay the Proposal Consideration to a place outside Australia (such as an overseas bank account). An 'indirect Australian real property interest' includes a unitholding in a trust, where the majority of the value of the trust is attributable to land in Australia, if that unitholding is a 'non-portfolio interest'. An IOF Unitholder will have a non-portfolio interest if they own on the Implementation Date, or have owned throughout a 12 month period during the two years preceding the Implementation Date, (together with any interest held by their Associates, if applicable), 10% or more of all the issued units in IOF.	N/A

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Question	Answer	More information
38. What happens if the Oxford Acquirer considers, or reasonably believes, that a particular IOF Unitholder is a 'relevant foreign resident' for the purposes of Australian foreign resident capital gains tax withholding rules? ***continued***	In order to comply with these rules, the Oxford Acquirer will clarify the status of certain IOF Unitholders which it considers, or reasonably believes, are 'relevant foreign residents'. The Oxford Acquirer will look at a number of factors in determining whether it considers, or reasonably believes, that an IOF Unitholder will be a 'relevant foreign resident' for the purpose of the Australian foreign resident capital gains withholding tax rules including circumstances in which the IOF Unitholder: • is classified as a non-resident in the IOF Register or has a non-Australian domicile per the IOF Register; • has a foreign registered address; • is not incorporated in Australia; or • is a corporate IOF Unitholder whose registered name leads the Oxford Acquirer to reasonably believe that it is not an Australian incorporated corporate entity. If the Oxford Acquirer considers, or reasonably believes, that you are a 'relevant foreign resident' you should have been provided (or will be provided) with a Relevant Foreign Resident Declaration Form either together with this Explanatory Memorandum or separately. If you are provided with a Relevant Foreign Resident Declaration Form you should ensure that you read it in full and follow the instructions provided on the form. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser. You must return your signed Relevant Foreign Resident Declaration Form by 5pm (Sydney time) on Sunday, 2 December 2018 in order to ensure your status is correctly reflected and to prevent withholding tax being deducted from the Proposal Consideration otherwise payable to you for capital gains tax purposes. Note: The Oxford Acquirer will need to remit 12.5% of the Proposal Consideration otherwise payable to a registered IOF Unitholder who it considers, or reasonably believes, is a 'relevant foreign resident' and whose IOF Units constitute an 'indirect Australian real property interest'. Accordingly if, for whatever reason, you think that you are a foreign resident ***and*** hold an 'indirect Australian real property interest', but do not receive a Relevant Foreign Resident Declaration Form, you should contact the IOF Unitholder Information Line on +61 1300 851 394 to request a declaration form.	N/A
39. Further questions	If after reading this Explanatory Memorandum you have any questions about the Oxford Proposal, you should call the IOF Unitholder Information Line on +61 1300 851 394 between 8.30am and 7.30pm (Sydney time) Monday to Friday. If you are in any doubt as to what you should do, you should consult your legal, investment or other professional adviser without delay.	Not applicable

ILFML Directors' Recommendation and Evaluation of the Oxford Proposal

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2

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2.1 ILFML Directors' recommendation

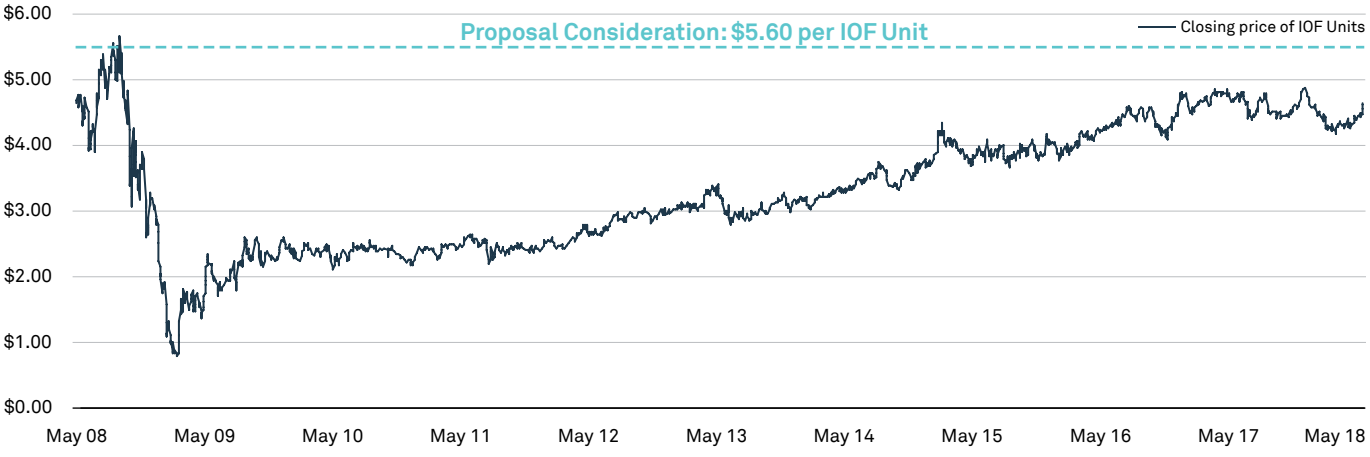
The Directors of ILFML have carefully considered the Oxford Proposal and unanimously recommend that IOF Unitholders vote in favour of the Oxford Proposal in the absence of a Superior Proposal.

2.2 Reasons for the ILFML Directors' recommendation

a. The Proposal Consideration represents an attractive and certain price for IOF Unitholders when considered against the historic trading performance of IOF Units

As shown below, prior to announcement of the initial Blackstone Proposal on 25 May 2018, IOF Units did not trade at a price above the Proposal Consideration of $5.60 per IOF Unit since 26 September 2008, which is over 10 years ago. In addition, the cash nature of the consideration provides an opportunity for IOF Unitholders to realise value for their units at an attractive and certain price.

IOF 10 Year Historical Trading Price Performance



Source: IRESS

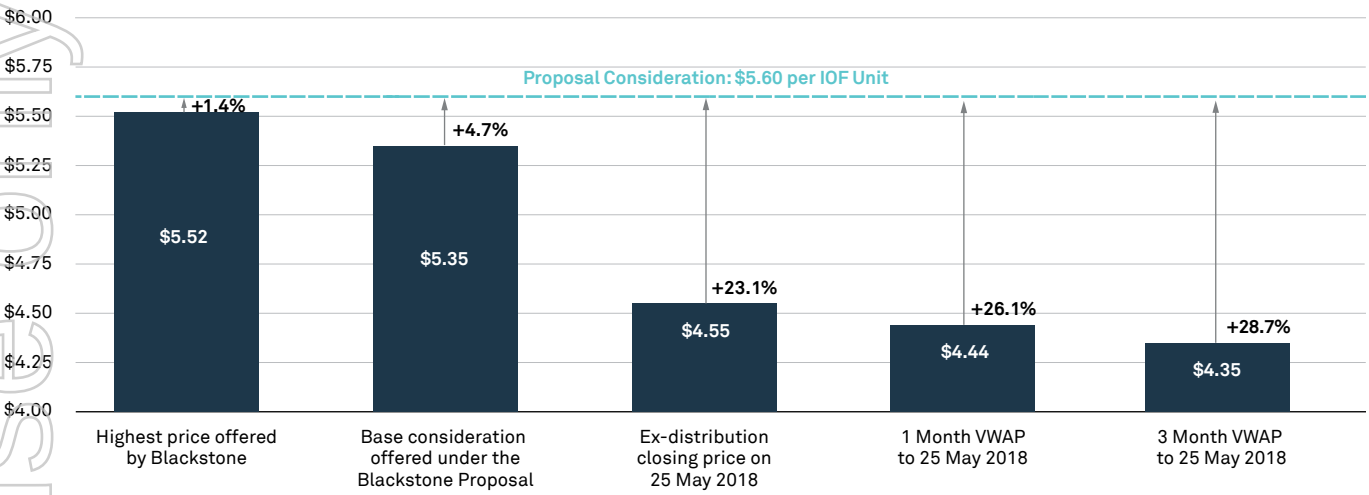
The Proposal Consideration of $5.60 per IOF Unit also represents a:

- 1.4% premium to the highest price offered by Blackstone for IOF Units of $5.52 per IOF Unit[1];
- 4.7% premium to the base consideration offered under the Blackstone Proposal of $5.3485 per IOF Unit[2];
- 23.1% premium to IOF's ex-distribution price of $4.55 per IOF Unit on 25 May 2018, being the last trading day prior to announcement of the initial Blackstone Proposal[3];
- 26.1% premium to the 1 month VWAP of IOF Units up to 25 May 2018 of $4.44 per IOF Unit; and
- 28.7% premium to the 3 month VWAP of IOF Units up to 25 May 2018 of $4.35 per IOF Unit.

1. *Under the Blackstone Proposal, the consideration was $5.52 per IOF Unit in circumstances where IOF Unitholders voted on and approved the Blackstone Proposal on or prior to 17 September 2018 (and taking into account the distribution paid in respect of the half-year ending 30 June 2018, and less any further distributions declared or paid by IOF on or after 4 May 2018 and prior to implementation of the Blackstone Proposal).*
2. *Under the Blackstone Proposal, the consideration was $5.3485 per IOF Unit in circumstances where IOF Unitholders voted and approved the Blackstone Proposal after 17 September 2018 (and taking into account the distribution paid in respect of the half-year ending 30 June 2018, and less any further distributions declared or paid by IOF on or after 4 May 2018 and prior to implementation of the Blackstone Proposal).*
3. *The ex-distribution price has been calculated as IOF's closing price on 25 May 2018 of $4.63 less the pro-rated amount of the distribution of 10.15 cents per IOF Unit declared on 18 June 2018. The pro rata calculation is based on the number of days between IOF's ex-distribution dates for 1H18 (28 December 2017) and 2H18 (28 June 2018).*

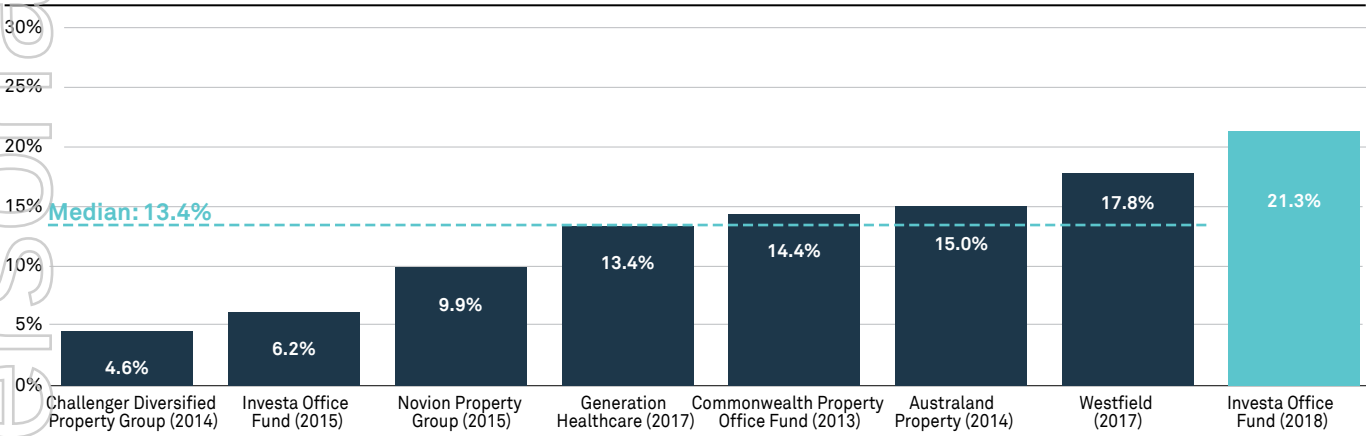
2. ILFML Directors' Recommendation and Evaluation of the Proposal

Proposal Consideration Metrics as at 25 May 2018



In addition, the premiums implied by the Oxford Proposal compare favourably to precedent A-REIT change of control transactions that have occurred in the last 5 years as shown in the chart below.

Precedent A-REIT transaction premiums to last unaffected closing price



Notes: (1) The above chart shows transactions occurring in the A-REIT sector during the last five years with an implied market capitalisation greater than $500 million. (2) Data is based on premiums to trading price on the day prior to announcement of the transaction, as quoted in the relevant target's statement or scheme booklet. (3) Where scrip consideration involved, premium calculated based on acquirer's scrip price last close prior to announcement of the transaction. (4) Investa Office Fund (2015) proposal was not approved by unitholders.

b. The Independent Expert has concluded that the Oxford Proposal is in the best interests of IOF Unitholders in the absence of a superior proposal

The ILFML Board appointed the Independent Expert, KPMG Corporate Finance, to prepare the Independent Expert's Report to opine on whether the Oxford Proposal is in the best interests of IOF Unitholders.

The Independent Expert has concluded that the Oxford Proposal is in the best interests of IOF Unitholders in the absence of a superior proposal. In arriving at this opinion, the Independent Expert has assessed the Oxford Proposal to be fair and reasonable as the Proposal Consideration of $5.60 per IOF Unit[4] exceeds the Independent Expert's assessed value range of $5.49 to $5.52 per IOF Unit.

4. *Less distributions declared or paid on or after 13 September 2018.*

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The Independent Expert has also considered a range of other factors IOF Unitholders may wish to take into account in considering whether to approve the Oxford Proposal, including the following:

- The Proposal Consideration represents a 2.2% premium to Pro Forma NTA as at 30 June 2018, and a substantial premium to IOF trading prices over a one, three, and six month period prior to announcement of the initial Blackstone Proposal.
- The Proposal Consideration is in cash and allows IOF Unitholders to immediately realise value from their investment at a price that includes a premium for control.
- In the absence of the Oxford Proposal or a superior proposal, the IOF Unit price is likely to fall.
- No superior proposal has emerged since the announcement of the Oxford Proposal and Blackstone has advised that it would not provide a matching or superior offer to the Oxford Proposal. In addition, the length of time that has elapsed since Blackstone's initial proposal and Oxford's 19.9973% interest in IOF, in the Independent Expert's view, reduce the likelihood that a superior proposal will emerge.

A complete copy of the Independent Expert's Report is included in Schedule 2 of this Explanatory Memorandum, and the Directors strongly encourage you to read this report in its entirety.

2.3 Other reasons why IOF Unitholders may consider voting in favour of the Oxford Proposal

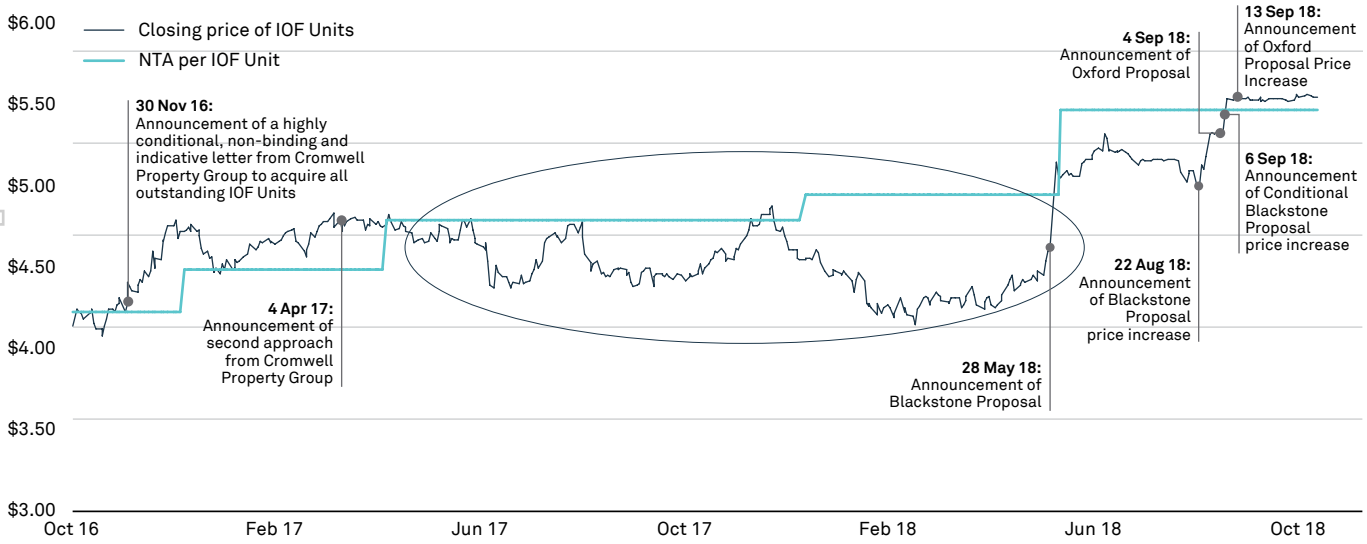
The ILFML Directors have considered other reasons why IOF Unitholders may consider voting in favour of the Oxford Proposal. These reasons do not form the basis of the Director's recommendation however may be relevant to you when deciding how to vote at the Meeting.

a. The Oxford Proposal provides an opportunity for IOF Unitholders to realise their IOF Units at a premium to NTA

The Proposal Consideration of $5.60 per IOF Unit reflects a premium of 2.2% to IOF's Pro Forma NTA as at 30 June 2018 of $5.48 per IOF Unit. This is an attractive premium relative to the historical trading price performance of IOF Units against NTA. To illustrate:

- in the three months prior to announcement of the initial Blackstone Proposal on 25 May 2018, IOF's closing price has represented an average discount to NTA of 12.4%; and
- in the 12 months prior to announcement of the initial Blackstone Proposal, the average IOF closing price discount to NTA was 7.4%.

In the absence of the Oxford Proposal, IOF units may resume trading below NTA.



Source: IRESS; IOF ASX announcements

2. ILFML Directors' Recommendation and Evaluation of the Proposal

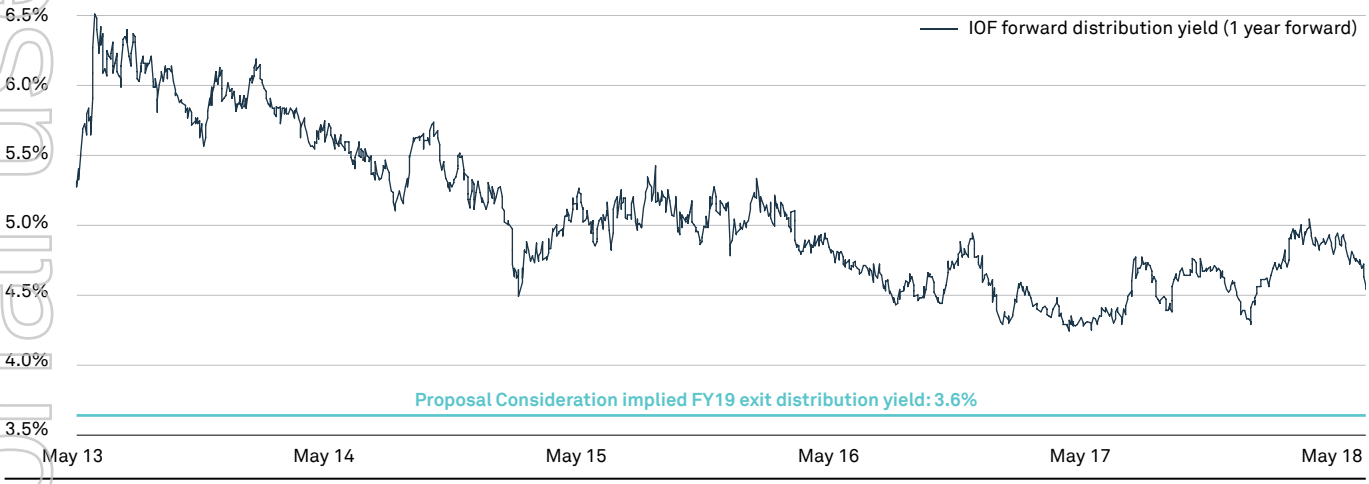
b. The Proposal Consideration represents a high multiple of IOF's forecast FY19 distribution and FFO (based on guidance)

The Proposal Consideration of $5.60 per IOF Unit represents a forecast FY19 exit distribution yield of 3.6%[5] and a forecast FY19 exit FFO yield of 5.2%[6] (based on guidance).

Lower exit yields correspond to higher offer prices and higher implied multiples of annual distributions or FFO. If the Oxford Proposal is implemented, Proposal Participants will receive a cash payment of $5.60, which represents a 27.6x multiple of IOF's forecast annual distribution for FY19[5] and a 19.2x multiple of IOF's forecast FFO for FY19[6]. This is an attractive valuation for IOF Units when compared to IOF's trading price history.

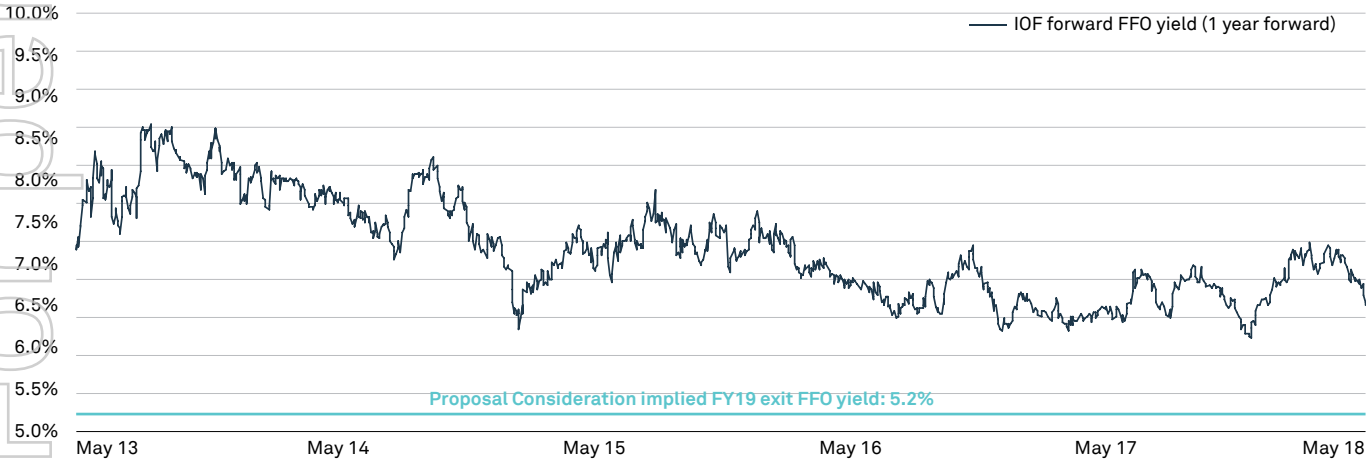
As shown below, over the last 5 years, IOF has not traded at a price that would result in its forecast 1 year forward distribution and FFO yields being as low as that implied by the Proposal Consideration.

IOF 1 Year Forward Distribution Yield (last 5 years)[7]



Source: Bloomberg

IOF 1 Year Forward FFO Yield (last 5 years)[8]



Source: Bloomberg

5. *Calculated using IOF's guidance of FY19 distributions of 20.3 cents per IOF Unit.*
6. *Calculated using IOF's guidance of FY19 FFO of 29.2 cents per IOF Unit.*
7. *The forward distribution yield is calculated using the Bloomberg estimate for distributions over the next twelve months as at a particular date, divided by the closing price on that date.*
8. *The forward FFO yield is calculated using the Bloomberg estimate for FFO over the next twelve months as at a particular date, divided by the closing price on that date.*

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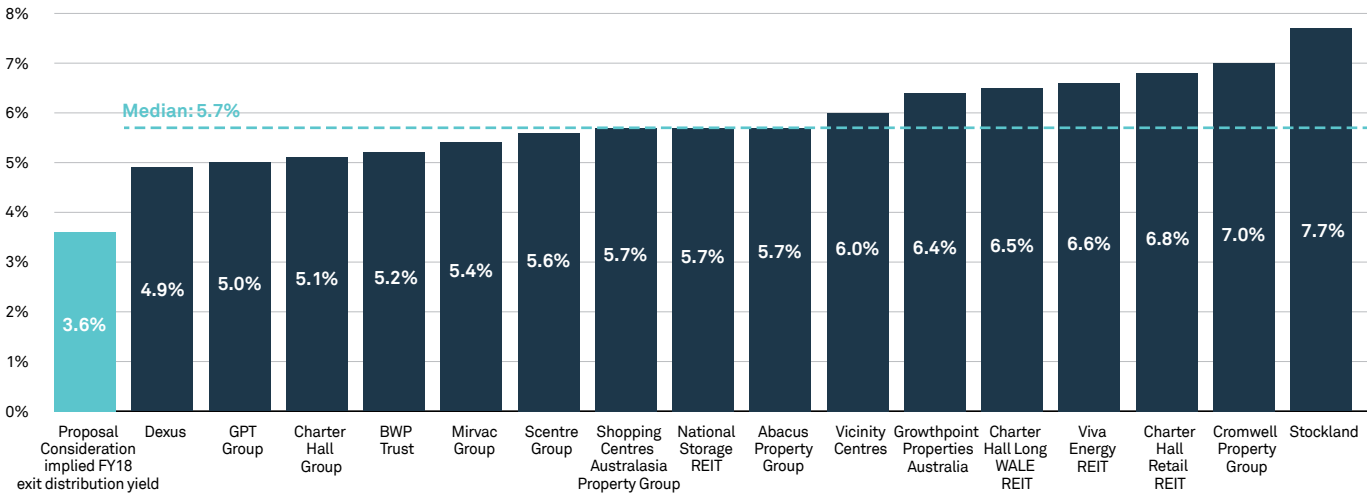
The forecast FY19 distribution yield implied by the Proposal Consideration also compares favourably to the forecast FY19 distribution yields of other ASX-listed REITs, as shown below. As at the Last Practicable Trading Date, the exit distribution yield implied by the Proposal Consideration is the lowest distribution yield of any domestically focused ASX 200 REIT[9].

FY19 Distribution Yields of domestically focused A-REITs included in the ASX 200 index



Source: Bloomberg

c. IOF is expected to experience lower FFO and distribution growth in the short term

Over the last two financial years, IOF has been actively managing the portfolio to improve portfolio quality, enhance unitholder returns and position the assets for sustainable performance in the future. Recent examples of this include the releasing and refurbishment of 242 Exhibition Street in Melbourne and the creation of a new prime grade asset Barrack Place (151 Clarence Street) in Sydney. Looking forward, key strategic initiatives are the refurbishment and releasing of 388 George Street and 347 Kent Street in the favourable Sydney market.

This asset repositioning program does however impact near term FFO and distributions as there will be a period of reduced income whilst works are being undertaken and capital is required to fund tenant incentives and refurbishment activity. This, combined with the divestment of 836 Wellington Street, Perth, which settled on 31 October 2018, has resulted in FY19 FFO guidance of 29.2 cents per IOF Unit, a decrease of 4.6% on the FY18 FFO. IOF's distribution guidance for FY19 remains the same as the distributions for FY18 at 20.3 cents per IOF Unit (refer to Section 4.11 for further information).

d. IOF has benefited from a sustained period of office property price increases and NTA growth

The Oxford Proposal was received after a period of strong growth in property valuations in the Australian office market. These favourable conditions have contributed to cumulative revaluation gains of $1.3 billion and an uplift in IOF's NTA of 70% for the five years to pro-forma 30 June 2018. The Oxford Proposal allows IOF Unitholders the opportunity to realise their investment in IOF after IOF's portfolio has delivered strong returns.

e. If the Oxford Proposal does not proceed, and no Superior Proposal emerges, the price of IOF Units may fall

Since market close on 25 May 2018 (being the last day on which IOF Units traded before announcement of the initial Blackstone Proposal), IOF's trading price has increased by 19.9% up to $5.55 per IOF Unit on the Last Practicable Trading Date.

The Directors are unable to predict the price at which IOF will trade in the future, but consider that, in the absence of implementation of the Oxford Proposal, a comparable proposal or a Superior Proposal, based on historic performance, the price of IOF Units may fall.

9. *Excludes Goodman Group and Unibail-Rodamco-Westfield which have significant operations outside of Australia.*

2. ILFML Directors' Recommendation and Evaluation of the Proposal

f. No Superior Proposal has been received as at the date of this Explanatory Memorandum

Since entry into the Oxford SIA on 18 October 2018 and up to the date of this Explanatory Memorandum, no Superior Proposal has been received by the ILFML Board. The ILFML Board is not aware, as at the date of this Explanatory Memorandum, of any Superior Proposal that is likely to emerge.

The Independent Expert has noted, that in its view, the length of time that has elapsed since Blackstone's initial proposal and Oxford's 19.9973% interest in IOF, reduce the likelihood that a superior proposal will emerge.

g. No brokerage will be payable by you on the transfer of your IOF Units under the Oxford Proposal

You will not incur any brokerage on the transfer of your IOF Units to the Oxford Acquirer under the Oxford Proposal.

If you sell your IOF Units on the ASX (rather than disposing them via the Oxford Proposal), you may incur brokerage charges (and, potentially GST on those charges).

h. The Oxford Proposal represents a superior outcome to a managed wind-up of IOF

The ILFML Directors considered a sale of IOF's property and a subsequent winding-up of IOF as a potential alternative to the Oxford Proposal. Having received advice from their financial advisers, the ILFML Directors concluded that the Oxford Proposal is preferable to a winding-up in that a wind-up of the portfolio is unlikely to realise a return to IOF Unitholders in excess of the cash payment under the Oxford Proposal. It is noted that the Independent Expert came to a similar conclusion in its report. In particular, in Section 3 of the Independent Expert's Report, the Independent Expert commented that sale of the portfolio and the distribution of the net proceeds would involve costs and risks including the following:

i. the sale of the portfolio is likely to take a considerable amount of time given the size of the portfolio;

ii. the sale process may be complicated by pre-emptive rights under co-investor agreements; and

iii. the net proceeds from sale would be reduced by selling costs, break fees and taxes.

2.4 Reasons why IOF Unitholders may consider voting against the Oxford Proposal and disadvantages of the Oxford Proposal

a. You may disagree with the ILFML Directors' recommendation and the opinion of the Independent Expert and consider that the Oxford Proposal is not in your best interests

Despite the recommendation of the ILFML Board and the opinion of the Independent Expert that the Oxford Proposal is in the best interests of IOF Unitholders, in the absence of a Superior Proposal, you may believe that the Oxford Proposal is not in your best interests or that of other IOF Unitholders.

b. You may prefer to realise the potential value of IOF over the long term and may consider that the Oxford Proposal does not capture IOF's long term potential

If the Oxford Proposal is approved by IOF Unitholders, it is expected to be implemented on 14 December 2018. This time frame may not be consistent with your investment objectives and you may consider that your IOF Units have greater value in the longer term.

You may consider that IOF has stronger long term growth potential and that the Proposal Consideration does not fully reflect your view on long term value. You may therefore prefer to retain your listed IOF Units and realise the value of your IOF Units over the longer term.

c. You may prefer to participate in future distributions which may be payable to IOF Unitholders (including in respect of the half year ending on 31 December 2018) rather than receiving the Proposal Consideration

Under the current timetable, the Oxford Proposal is expected to be implemented on 14 December 2018. As a result, the ILFML Directors do not intend to declare or pay a distribution prior to implementation of the Oxford Proposal.

If the Oxford Proposal is not approved by IOF Unitholders, the ILFML Directors will assess and determine whether a distribution should be declared and paid in respect of the half year ending 31 December 2018. Consistent with IOF's distribution policy and FY19 earnings guidance, ILFML expects that a distribution would be declared and paid for the half year in circumstances where the Oxford Proposal is not approved.

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d. You may believe that it is in your best interests to maintain your current investment and risk profile

You may wish to keep your IOF Units as you may want to preserve your investment in a publicly listed REIT with the specific characteristics of IOF. In particular, you may consider that IOF may be able to return greater value from its assets by maintaining the current status quo, continuing to deliver on its investment strategy, or seeking alternative commercialisation strategies.

e. The tax consequences of the Oxford Proposal may not suit your current financial position

Implementation of the Oxford Proposal may trigger taxation consequences for IOF Unitholders. A general guide to the taxation implications of the Oxford Proposal is set out in Section 7. This guide is expressed in general terms only and IOF Unitholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

f. You may believe that there is the potential for a Superior Proposal to be made in the future

You may believe that there is a potential for a Superior Proposal to be made in the future. Since the execution of the Oxford SIA and as at the date of this Explanatory Memorandum, no Superior Proposal has been received by the ILFML Board.

Overview of the Oxford Proposal

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3

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3.1 Overview of the Oxford Proposal

On 18 October 2018, IOF announced that it had entered into the Oxford SIA with the Oxford Acquirer, under which it is proposed that the Oxford Acquirer, newly-established Australian entities which are ultimately owned by OMERS, will acquire all the IOF Units on issue by way of trust scheme.

If the Proposal Resolutions are approved by IOF Unitholders at the Meeting and the Court grants the Second Judicial Advice, and if all other approvals and conditions for the Oxford Proposal are satisfied or waived (as applicable), IOF will be de-stapled and PCP Trust will become a wholly owned sub-trust of Oxford PCP Bid Trust and AJO Fund will become wholly owned subsidiary of Oxford AJO Bid Trust. ILFML will then apply for IOF to be de-listed from the ASX.

If the Proposal Resolutions are not approved, the Oxford Proposal will not proceed, and IOF will continue as a stand-alone stapled group listed on ASX.

This Explanatory Memorandum contains information that the ILFML Board considers is material to IOF Unitholders in making a decision whether or not to vote in favour of the Oxford Proposal. You should carefully read this Explanatory Memorandum in making a decision whether or not to vote in favour of the Proposal Resolutions.

3.2 Conditions Precedent

The Oxford Proposal is subject to a number of Conditions Precedent, including:

a. approval of the Proposal Resolutions at the Meeting;

b. the receipt of the First Judicial Advice and the Second Judicial Advice; and

c. certain regulatory approvals.

Further details regarding the Conditions Precedent and their status are set out in Section 8.3 of this Explanatory Memorandum.

3.3 Proposal Consideration

If the Oxford Proposal is implemented, IOF Unitholders are entitled to receive from the Oxford Acquirer, $5.60 per IOF Unit, less the amount of any distributions declared or payable after 13 September 2018.

Any aggregate cash amount payable to a Proposal Participant will be rounded to the nearest whole cent.

3.4 IOF Unitholder Approvals

IOF Unitholders will be asked to consider, and if thought fit, pass, the following Proposal Resolutions. The Proposal Resolutions are interdependent and the Oxford Proposal will only proceed if all of the Proposal Resolutions are passed at the Meeting by the requisite majorities.

a. An ordinary resolution to approve the Oxford Proposal for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes including the acquisition of a Relevant Interest in all the AJO Units by the Oxford Acquirer (***AJO Trust Acquisition Resolution***).

b. An ordinary resolution to approve the Oxford Proposal for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes including the acquisition of a Relevant Interest in all the PCP Units by the Oxford Acquirer (***PCP Trust Acquisition Resolution***).

c. A special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the IOF Constitutions as set out in the AJO Supplemental Deed Poll (***AJO Constitution Amendment Resolution***).

d. A special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the IOF Constitutions as set out in the PCP Supplemental Deed Poll (***PCP Constitution Amendment Resolution***).

e. A special resolution to approve the AJO Units ceasing to be stapled to the PCP Units (***AJO De-Stapling Resolution***).

f. A special resolution to approve the PCP Units ceasing to be stapled to the AJO Units (***PCP De-Stapling Resolution***).

3.5 Required voting majorities, eligibility to vote and voting exclusions

a. Persons eligible to vote at the Meeting

Subject to the voting restrictions set out in Section 3.5(b) of this Explanatory Memorandum, each IOF Unitholder who is on the IOF Register at the Voting Record Date is entitled to attend and vote at the Meeting either in person, by proxy, by attorney, or in the case of a body corporate, by its corporate representative appointed in accordance with section 253B of the Corporations Act.

3. Overview of the Oxford Proposal

In a resolution of IOF determined by poll, each IOF Unitholder present in person or by proxy has one vote for every dollar of its total interest held in IOF (held via IOF Units). The value of an IOF Unitholder's total interest in IOF will be calculated by reference to the last sale price of IOF Units on ASX on Friday, 30 November 2018.

b. Required voting majorities

For the Proposal Resolutions to be approved:

i. The **Trust Acquisition Resolutions** must be passed by at least 50% of the total number of votes cast on the resolution by IOF Unitholders entitled to vote on the resolutions at the Meeting.

Voting exclusions

For the purposes of these Proposal Resolutions:

- In accordance with item 7, section 611 of the Corporations Act, the Oxford Acquirer and its Associates must not cast any votes in favour of the resolutions.
- In accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF.

ii. The **Trust Constitution Amendment Resolutions** must each be passed by at least 75% of the total number of votes cast on the relevant resolution by IOF Unitholders entitled to vote on the resolutions at the Meeting.

Voting exclusions

For the purposes of these Proposal Resolutions, in accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF.

In addition, in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of these Proposal Resolutions by the Oxford Acquirer or its Associates will be disregarded.

iii. The **De-Stapling Resolutions** must each be passed by at least 75% of the total number of votes cast on the relevant resolutions by IOF Unitholders entitled to vote on the resolutions at the Meeting.

Voting exclusions

For the purposes of these Proposal Resolutions, in accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF.

In addition, in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of these Proposal Resolutions by the Oxford Acquirer or its Associates will be disregarded.

3.6 Court approval

If the Proposal Resolutions are approved by the requisite majorities of IOF Unitholders at the Meeting, ILFML will apply to the Court of the Second Judicial Advice in respect of the Oxford Proposal.

3.7 Recommendations of the Directors

The Directors unanimously recommend that you **vote in favour** of the Proposal Resolutions, in the absence of a Superior Proposal. See Section 2 for further detail on the reasons for the ILFML Board's recommendation.

3.8 Independent Expert's conclusion

The Independent Expert has concluded that the Oxford Proposal is in the best interests of IOF Unitholders in the absence of a superior proposal. In arriving at this opinion, the Independent Expert has assessed the Oxford Proposal to be fair and reasonable as the Proposal Consideration of $5.60 per IOF Unit[1] exceeds the Independent Expert's assessed value range of $5.49 to $5.52 per IOF Unit.

IOF Unitholders should carefully review the Independent Expert's Report in its entirety. The Independent Expert's Report is included in Schedule 2 of this Explanatory Memorandum.

1. *Less distributions declared or paid on or after 13 September 2018.*

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3.9 Tax implications

The Oxford Proposal should give rise to a CGT event for the IOF Unitholders. IOF Unitholders who hold their IOF Units on capital account should realise either a capital gain or capital loss.

For detailed tax implications of the Oxford Proposal, refer to the Taxation Report in Section 7 of this Explanatory Memorandum which sets out the general Australian taxation implications for IOF Unitholders in respect of the Oxford Proposal.

3.10 No brokerage or stamp duty

No brokerage or stamp duty will be payable by Proposal Participants on the transfer of their IOF Units to the Oxford Acquirer under the Oxford Proposal or the receipt by Proposal Participants of the Proposal Consideration.

3.11 Implications if Oxford Proposal not approved

If any of the Proposal Resolutions are not approved, or any other Conditions Precedent are not satisfied or waived (if applicable), and the Oxford Proposal does not proceed:

a. IOF Unitholders will not receive the Proposal Consideration;

b. IOF Unitholders will retain their IOF Units;

c. the ILFML Directors will assess and determine whether a distribution should be declared and paid in respect of the half year ending 31 December 2018. Consistent with IOF's distribution policy and FY19 earnings guidance, ILFML expects that a distribution would be declared and paid for the half year in circumstances where the Oxford Proposal is not approved; and

d. IOF will remain listed on ASX and will continue to be externally managed by the Investa Property Group.

Before the Meeting, ILFML estimates that IOF will have incurred or committed one-off transaction costs of approximately $39.7 million in relation to the Oxford Proposal and the Blackstone Proposal (including a break fee of $32,006,439 paid to Blackstone for termination of the Blackstone Proposal). These costs have already been incurred or will be payable by IOF regardless of whether or not the Oxford Proposal is implemented. If the Oxford Proposal is implemented, additional costs will be payable.

In addition, if the Oxford Proposal is not implemented, ILFML will continue to implement its investment strategy for IOF and you will have the opportunity to participate in the business conducted by IOF as an IOF Unitholder. The factors relating to IOF's business and an investment in IOF which will continue to be relevant to you if the Oxford Proposal is not implemented, include:

- investment in a high quality office portfolio, with exposure to development and value-add activity;
- conditions in the property investment markets including tenant vacancies, the property valuation cycle, the availability of funding, interest rates, and foreign exchange rates which can impact the value of IOF's underlying properties;
- vacancy levels, which can affect rental returns and the market value of office property;
- interest rates and exchange rate risks which can impact the value of some of IOF's debt facilities; and
- equity market volatility which can impact the value of IOF units on the ASX.

Profile of IOF

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4

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4.1 Overview of IOF

Investa Office Fund (ASX: IOF) is an ASX-listed and externally managed Australian real estate investment trust. IOF is included in the S&P/ASX 100 index and is one of Australia's leading owners of investment grade office buildings in core CBD markets throughout Australia. As at 30 September 2018, IOF owned a portfolio of 20 investment properties with a pro forma book value as at 30 June 2018[1] of $4.4 billion.

IOF was formed by the stapling of the units in two Australian registered managed investment schemes – AJO Fund and the PCP Trust. Each IOF Unit quoted on the ASX comprises of one AJO Unit and one PCP Unit. ILFML, wholly owned by IOM, and managed by the Investa Property Group, is the responsible entity of both registered managed investment schemes.

As an externally managed vehicle, IOF does not employ any staff directly. IOF has engaged IOM to act as the manager of IOF pursuant to an Amended and Restated Management Deed dated 21 September 2017 to provide IOF with asset, portfolio and capital management services to support the delivery of IOF's strategy.

As at the Last Practicable Trading Date, IOF had a market capitalisation of $3.3 billion and a diverse unitholder base with more than 12,000 investors.

4.2 Strategy

IOF's strategy is to deliver attractive risk-adjusted returns to IOF's unitholders by investing in high quality Australian office buildings. This strategy is achieved through:

Active asset management	Active asset management of the portfolio to drive income and capital returns.
Value add and development activity	Identifying and implementing value add and development opportunities to create high quality core assets.
Selective acquisitions and divestments	Enhancing portfolio quality, scale and diversification with selective acquisitions and divestments.
Prudent capital and risk management	Applying a prudent approach to capital and risk management.
Responsible investment	Ensuring best in class responsible investment – environmental, social and governance.

4.3 Portfolio Overview

A summary of IOF's portfolio is set out below.

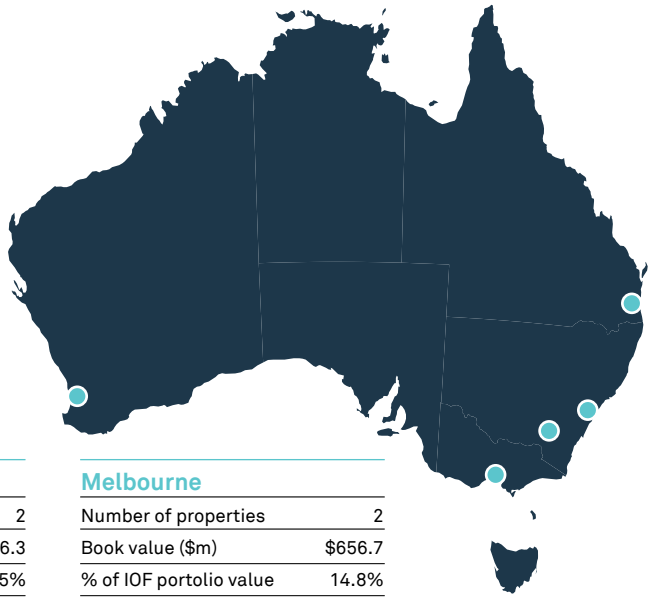
Portfolio Summary[2]

Occupancy (weighted by income) (as at 30 September 2018)	95%
Weighted average lease expiry (WALE) (as at 30 September 2018)	5.2 years
Weighted average Cap Rate[3] (pro forma as at 30 June 2018)	5.4%
Tenant retention FY19 (30 September 2018 YTD)	59%
Portfolio NLA (based on ownership interest as at 30 September 2018)	389,510 sqm
Number of property investments	20
Book value (pro forma as at 30 June 2018)[4]	$4,435 million

1. *Pro-forma book value is based on 30 June 2018 book values adjusted for the revaluation of 151 Clarence Street, Sydney on 30 September 2018.*
2. *Does not account for the sale of 836 Wellington Street, Perth, which settled on 31 October 2018.*
3. *Cap Rate refers to the market capitalisation rate, being the fully leased market rental of a property divided by the property's value prior to adjustments for near term leasing and capital allowances. The weighted average is calculated as the average, determined by the proportion of each property having regard to its value relative to the total value of all properties (using the 30 June 2018 book values adjusted for the revaluation of 151 Clarence Street on 30 September 2018).*
4. *Based on 30 June 2018 book values adjusted for the revaluation of 151 Clarence Street on 30 September 2018.*

4. Profile of IOF

Map of IOF portfolio[5]



Brisbane

Number of properties	5
Book value ($m)	$592.7
% of IOF portolio value	13.4%
Weighted average cap rate	6.36%
WALE[1]	3.9 years

Sydney/North Sydney

Number of properties	10
Book value ($m)	$2,925.0
% of IOF portolio value	66.0%
Weighted average cap rate	5.27%
WALE[1]	4.0 years

Perth

Number of properties	2
Book value ($m)	$156.3
% of IOF portolio value	3.5%
Weighted average cap rate	6.77%
WALE[1]	6.7 years

Melbourne

Number of properties	2
Book value ($m)	$656.7
% of IOF portolio value	14.8%
Weighted average cap rate	5.00%
WALE[1]	10.8 years

Canberra

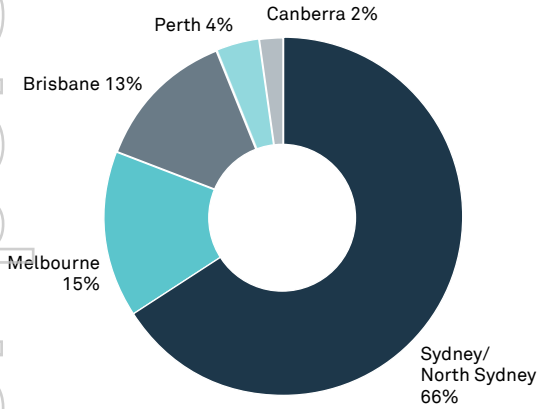
Number of properties	1
Book value ($m)	$104.3
% of IOF portolio value	2.4%
Weighted average cap rate	5.85%
WALE[1]	7.3 years

1. Weighted by income.

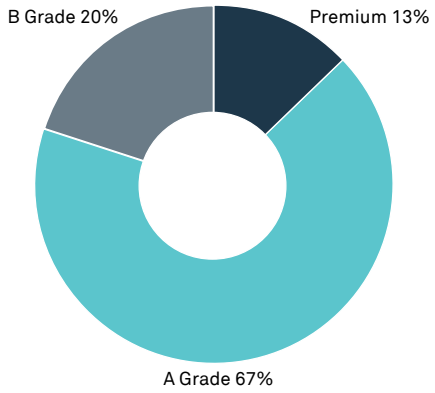
IOF's portfolio as at 30 September 2018 predominantly comprises Premium Grade (13%) and A-Grade (67%) assets in core CBD centres. The portfolio is weighted towards the east coast cities of Sydney/North Sydney (66%) and Melbourne (15%).

Portfolio composition[6]

% of book value



% of book value



5. *All information as at 30 September 2018 with the exception of book value information which is as at 30 June 2018 adjusted for the revaluation of 151 Clarence Street on 30 September 2018. 836 Wellington Street was held for sale as at 30 September 2018; sale of this asset completed on 31 October 2018.*
6. *Based on 30 June 2018 book values adjusted for the revaluation of 151 Clarence Street on 30 September 2018. Does not account for the sale of 836 Wellington Street, which completed on 31 October 2018.*

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A list of IOF's properties and their key metrics is set out below.

Portfolio overview[7]

Name/address	Location	State	Interest	Building type	Pro forma 30 June 2018 book value ($m)	NLA[8] (sqm)	Cap Rate (%)	WALE by income (yrs)	Occupancy (by income)
126 Phillip Street	Sydney	NSW	25.0%	Premium	258.8	10,490	4.75%	6.4	99%
10-20 Bond Street	Sydney	NSW	50.0%	A grade	310.3	19,167	5.00%	2.9	87%
347 Kent Street	Sydney	NSW	100.0%	A grade	351.6	26,263	5.13%	3.6	99%
388 George Street	Sydney	NSW	50.0%	A grade	244.0	19,372	5.13%	0.1	99%
Piccadilly Complex	Sydney	NSW	50.0%	A grade	323.0	23,676	5.46%	3.1	96%
6 O'Connell Street	Sydney	NSW	100.0%	B grade	276.0	16,130	5.00%	3.3	87%
151 Clarence Street	Sydney	NSW	100.0%	A grade	425.0	21,892	4.75%	9.6	93%
105-151 Miller Street	North Sydney	NSW	100.0%	B grade	233.0	28,606	5.75%	2.0	99%
111 Pacific Highway	North Sydney	NSW	100.0%	A grade	236.4	18,668	6.00%	2.5	99%
99 Walker Street	North Sydney	NSW	100.0%	A grade	267.0	19,295	5.63%	6.6	97%
15 Adelaide Street	Brisbane	QLD	100.0%	B grade	60.5	11,326	7.50%	2.2	83%
239 George Street	Brisbane	QLD	100.0%	B grade	136.0	24,233	6.50%	3.5	88%
140 Creek Street	Brisbane	QLD	100.0%	A grade	237.3	27,866	6.00%	4.7	99%
295 Ann Street	Brisbane	QLD	100.0%	B grade	138.4	20,112	6.25%	4.0	99%
232 Adelaide Street	Brisbane	QLD	100.0%	B grade	20.5	4,459	7.00%	3.9	91%
567 Collins Street	Melbourne	VIC	50.0%	Premium	330.2	27,527	5.00%	8.5	99%
242 Exhibition Street	Melbourne	VIC	50.0%	A grade	326.5	32,895	5.00%	12.8	100%
836 Wellington Street[9]	Perth	WA	100.0%	A grade	91.3	11,973	6.25%	8.3	100%
66 St Georges Terrace	Perth	WA	100.0%	A grade	65.0	11,405	7.50%	4.0	59%
16-18 Mort Street	Canberra	ACT	100.0%	A grade	104.3	14,155	5.85%	7.3	100%
Total/Weighted Average[10]					**$4,435.1**	**389,510**	**5.41%**	**5.2**	**95%**

On 18 July 2018, IOF announced it had entered into transaction documents to sell 836 Wellington Street, Perth, for $91.325 million. Completion of this sale occurred on 31 October 2018. The transaction is in line with IOF's stated objective to focus on core CBD assets and reflects a 20% premium to December 2017 book value and a $2.325 million increase on the most recent May 2018 independent valuation.

All of the information included in this Explanatory Memorandum referring to information as at 30 September 2018 includes 836 Wellington Street, Perth.

7. *All information as at 30 September 2018 with the exception of book value information which is as at 30 June 2018, adjusted for the revaluation of 151 Clarence Street on 30 September 2018.*
8. *NLA is based on IOF's ownership interest.*
9. *Asset held for sale as at 30 June 2018. The sale of this asset completed on 31 October 2018.*
10. *Total/Weighted Average for Cap Rate, WALE by income (yrs) and Occupancy (by income)*

4. Profile of IOF

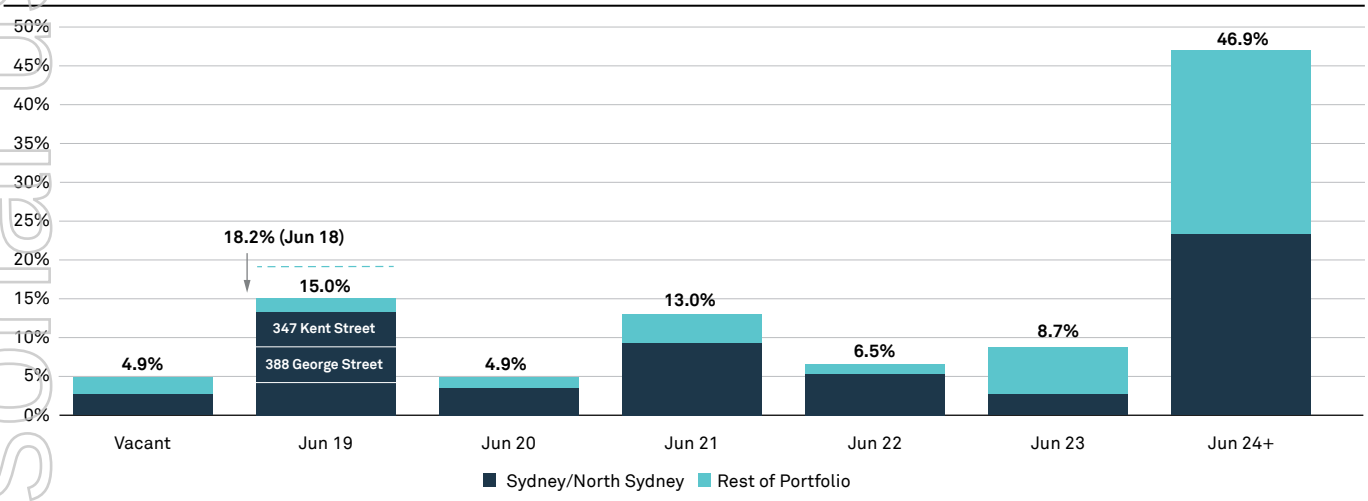
As illustrated below, 15% of IOF's portfolio by gross income expires in the 9 months to 30 June 2019, with two major expiries comprising:

- Insurance Australia Group (***IAG***) at 388 George Street, Sydney: IAG leases 100% of the office tower and has a lease expiry in October 2018. The asset will be vacant for at least 18 months while the property is fully refurbished and repositioned; and
- ANZ Banking Group (***ANZ***) at 347 Kent Street, Sydney: ANZ has a lease over the entire office tower and has agreed to remain in 64% of the total net lettable area (***NLA***) after expiry of its existing lease arrangements in January 2019 for a period of 5 years, with the remainder of the space to be vacant for at least 9 months during refurbishment.

Both assets are located in the Sydney CBD where fundamentals have been strong and IOF is taking advantage of the supportive market conditions to reposition the assets for the future.

IOF has recently entered into non-binding Heads of Agreement at 388 George Street over 21,386 sqm (59% of office tower NLA), and at 347 Kent Street over 6,019 sqm (22% of total NLA). Combined with ANZ's lease renewal, this equates to 86% of total NLA that is fully committed or subject to Heads of Agreement at 347 Kent Street.

Portfolio lease expiry by income[11]



Note: Excludes Heads-of-Agreement

4.4 Development

IOF is undertaking a major new development project and a major refurbishment project, which are both located in the strong performing Sydney market. The future capital requirement for these works is estimated to be $95-$130 million (excluding incentives).

These two projects are in addition to the recently completed 151 Clarence Street development (which reached practical completion in early October 2018) and align with IOF's strategy to implement value add and development opportunities to create high quality core assets and drive unitholder returns.

11. As at 30 September 2018.

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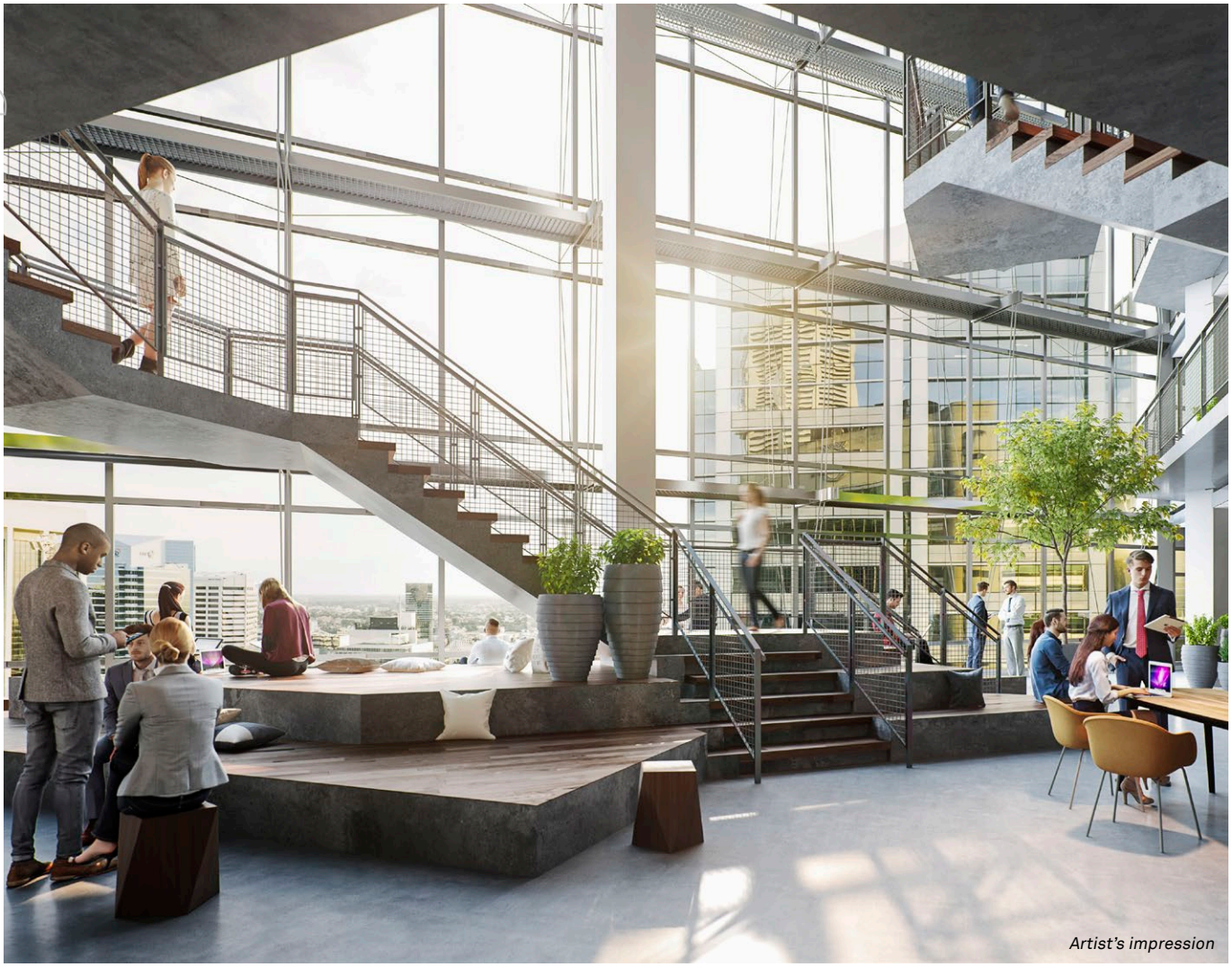
Artist's impression

388 George Street, Sydney

- A major refurbishment including the activation of five atriums, upgrades to common and tenancy areas, mechanical upgrades and new end of trip facilities.
- Development application submitted for potential retail development of King and George Street Forecourt.
- Work on the office refurbishment is commencing in November 2018 and it is expected to take approximately 18 months, with practical completion targeted for early 2020.
- Non-binding heads of agreement have been signed over 21,386 sqm (c. 59%) of the office tower NLA on completion of the refurbishment.
- Estimated future capital requirements for these works is estimated to be approximately $55-85 million (IOF share, excluding tenant incentives).

Artist's impression

4. *Profile of IOF*

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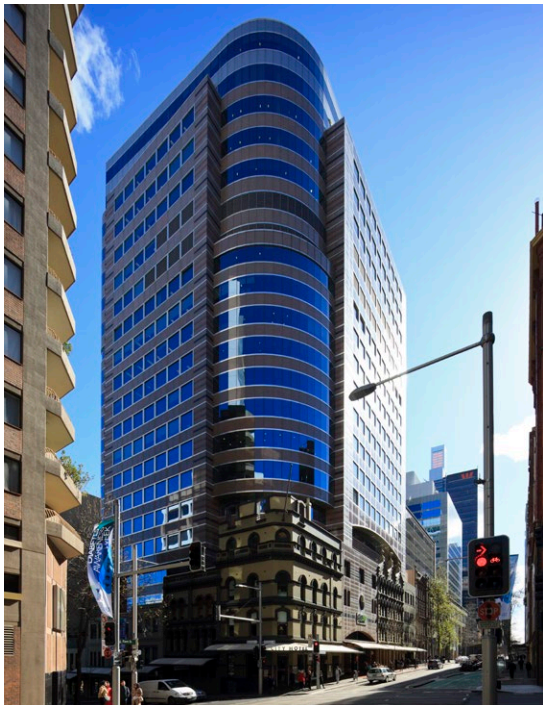
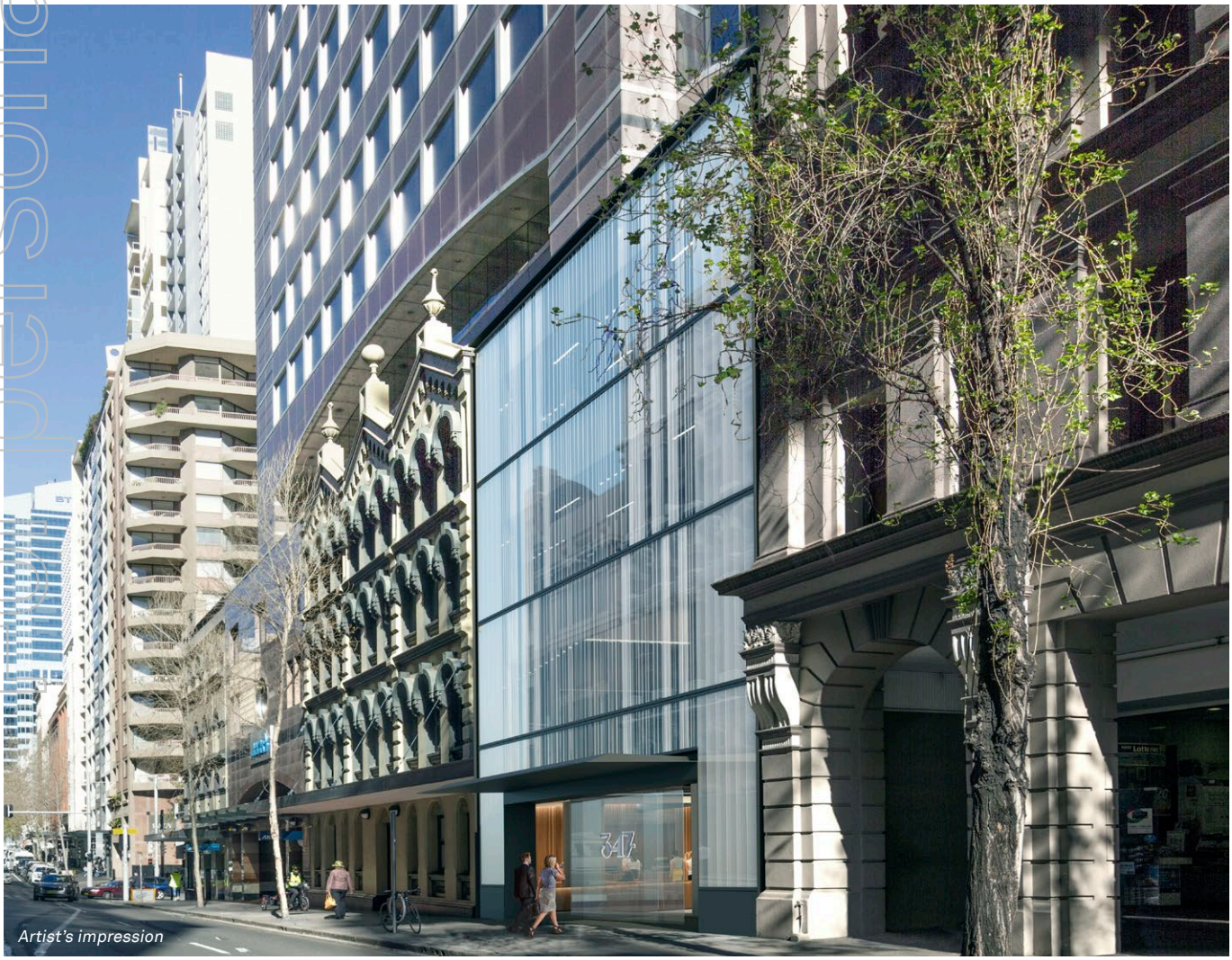
347 Kent Street, Sydney

- The refurbishment includes relocating and upgrading of the ground floor lobby and activation of underutilised space to create additional income.
- Work is commencing in January 2019 and it is expected to take 9-12 months to complete.
- Existing tenant (***ANZ***) has committed to renew 64% of total NLA for a five year term, with the remaining office space to be leased on completion of upgrades.
- Non-binding Heads of Agreement have been signed over 6,019 sqm (c. 22%) of total NLA on completion of the refurbishment.
- Estimated future capital requirements for these works is estimated to be approximately $40-45 million (excluding tenant incentives).





Artist's impression

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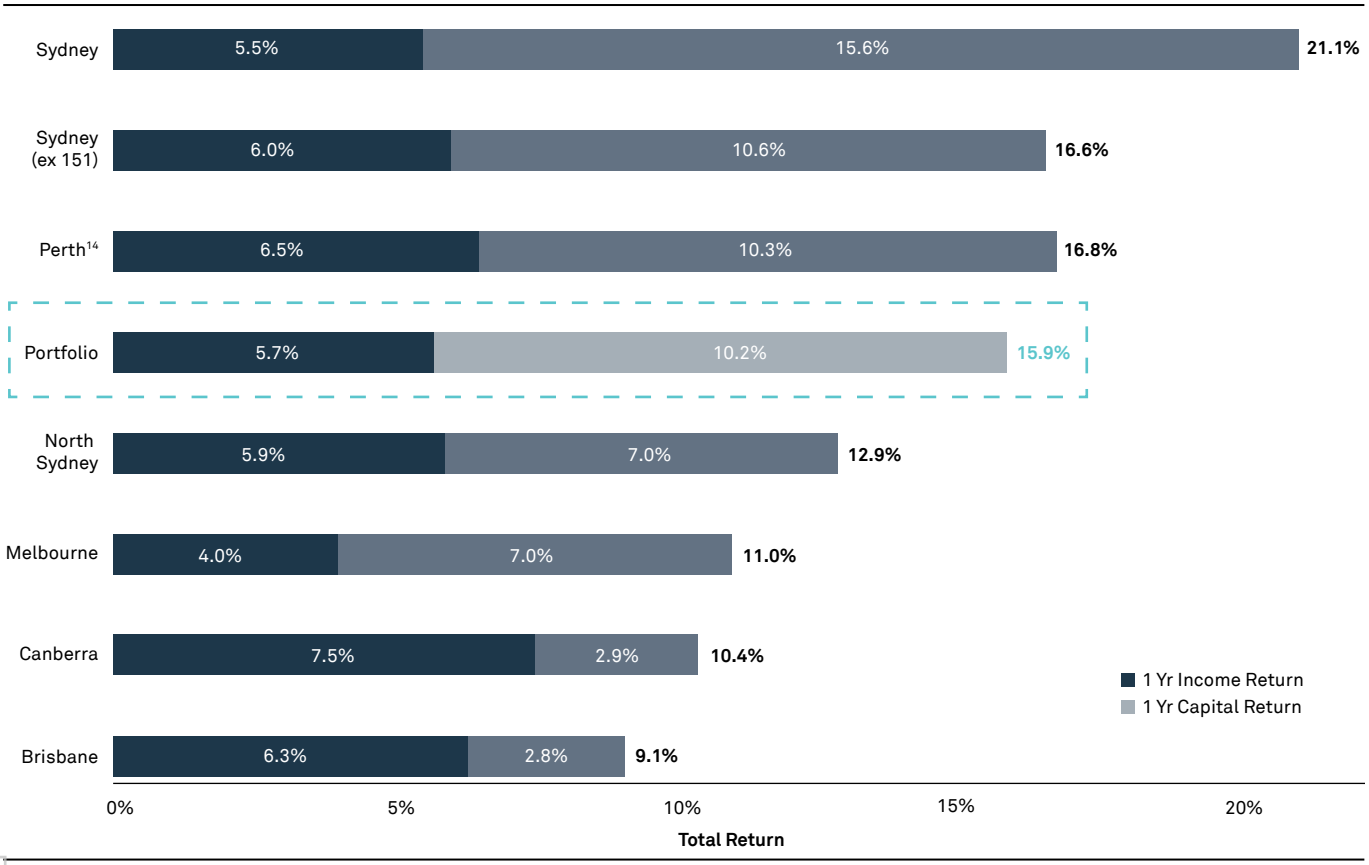
4.5 Portfolio Performance

IOF's portfolio has delivered strong unlevered returns of 15.9% for the year ended 30 June 2018. Sydney, North Sydney and Melbourne CBD's have been the positive contributors towards IOF's performance over both periods due to significant leasing, growth in market rents, and capital appreciation.

The Barrack Place (151 Clarence Street) development was an added major driver of the Sydney CBD returns in the last year, reflecting the development profit recognised upon completion of the development in early October 2018.

The strong one year total return for Perth was driven by the valuation of 836 Wellington Street reflecting the strong interest in the asset since the asset divestment campaign began in Q2 2018.

Portfolio Total Returns[12]



4.6 Financial Information

This section sets out summary historical and pro-forma financial information for IOF. The historical information has been extracted from IOF's audited financial statements for the full years ended 30 June 2017 and 30 June 2018.[13] The pro-forma financial information shown is a pro-forma statement of financial position as at 30 June 2018, which is based on the audited statement of financial position as at 30 June 2018, and adjusted for certain post balance date events as described in Sections 4.6(b) and 4.6(c).

The historical and pro-forma financial information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards. The information is presented in an abbreviated form insofar as it does not include all of the disclosures, presentations or statements as required by the Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The accounting policies used to prepare both the historical and pro-forma financial information are based on the accounting policies of IOF contained in the financial statements for the full year ended 30 June 2018.

12. Total return based on movement in portfolio book value to 30 June 2018 plus portfolio net income over 12 months to 30 June 2018, as a percentage of total book value.

13. Historical financial information in relation to IOF is available at www.investa.com.au/iof.

4. Profile of IOF

a. Summary of Financial Performance

The table below sets out a summary of IOF's key financial performance measures for the full years ended 30 June 2017 and 30 June 2018.

Summary of key financial performance measures

	Full year ending 30 June 2017 (Audited)	Full year ending 30 June 2018 (Audited)
Statutory net profit ($m)	471.6	521.6
Funds from Operations (***FFO***) ($m)	182.6	184.0
FFO per IOF Unit (cents)	29.7	30.6
Distributions per IOF Unit (cents)	20.20	20.3

Statutory net profit in FY18 increased by 10.6% (compared to statutory net profit in FY17) to $521.6 million, driven by uplifts relating to the independent valuation of the entire IOF portfolio as at 31 May 2018. The positive valuations reflect continued strong office market fundamentals, particularly in Sydney, North Sydney and Melbourne, where effective rental growth and solid investment demand are driving valuation uplifts. Major leasing transactions and the significant progress of the delivery of IOF's development at Barrack Place (151 Clarence Street), further contributed to value enhancement for IOF.

IOF's FFO per IOF Unit increased 3.0% to 30.6 cents in FY18, reflecting solid portfolio performance over the year and the positive impact of the buyback undertaken in the first half of FY18, offset by the divestment of assets in FY17.

IOF's distribution per IOF Unit increased by 0.5% in FY18 to 20.3 cents. The moderate increase reflects elevated incentives and maintenance expenditure related to significant leasing undertaken within the portfolio in FY16 and FY17, and is in anticipation of an elevated expiry profile and an anticipated period of reduced income in FY19, as IOF delivers upon value-add opportunities to enhance portfolio quality and unitholder returns.

b. Statement of Financial Position

The table below sets out IOF's statement of financial position as at 30 June 2017 and 30 June 2018, together with the pro-forma statement of financial position as at 30 June 2018.

The pro-forma statement of financial position as at 30 June 2018 is based on the audited statement of financial position as at 30 June 2018, and adjusted for certain post balance date events as described in Sections 4.6(b) and 4.6(c). It has been prepared on the basis of the assumptions and principles set out in this Section 4.6 and has not been audited.

The Pro Forma NTA per IOF Unit as at 30 June 2018 is $5.48.

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Statement of financial position

Summary of Consolidated Statement of Financial Position ($m)	30 June 2017 (Audited)	30 June 2018 (Audited)	30 June 2018 (Pro-forma)
Investment properties (including assets held for sale)	2,973.2	3,440.9	3,428.3
Investments accounted for using the equity method	848.6	915.7	915.7
Derivative financial instruments	89.1	82.4	92.3
Receivables	8.1	9.1	9.1
Cash and cash equivalents	4.0	3.8	3.8
Total assets	**3,923.0**	**4,451.9**	**4,449.2**
Borrowings	887.2	1,085.9	1,139.1
Distribution payable	62.6	60.7	–
Payables and Provisions	24.2	26.4	26.4
Derivative financial instruments	5.1	4.9	4.9
Total liabilities	**979.1**	**1,177.9**	**1,170.4**
Net assets	**2,943.9**	**3,274.0**	**3,278.8**
IOF Units on issue (thousands)	614,047	598,419	598,419
NTA per IOF Unit ($)	4.79	**5.47**	**5.48**[14]

c. Basis of Preparation of the Pro Forma Financial Information

The pro-forma statement of financial position as at 30 June 2018 as set out in Section 4.6(b) (***Pro Forma Financial Information***) includes assumptions which are subject to risks and uncertainties and may result in the actual results and financial position being different from the Pro Forma Financial Information disclosed above.

The Pro Forma Financial Information has been prepared using the following key assumptions:

i. Investment properties (direct ownership interests and equity accounted investments) are based on the value included in the 30 June 2018 financial report, adjusted for the:
   A. sale of 836 Wellington Street, Perth which settled on 31 October 2018,
   B. capital expenditure incurred for 151 Clarence Street, Sydney for the 3 months to 30 September 2018, and
   C. the revaluation increase for 151 Clarence Street, Sydney which was independently valued as at 30 September 2018;

ii. Fair value movements on derivative financial instruments have been made based on actual fair value movements for the 3 months to 30 September 2018.

iii. Distribution payable of $60.7 million was paid on 27 August 2018.

iv. US dollar denominated borrowings are based on actual 30 June 2018 borrowings, adjusted by the foreign currency translation for the 3 months to 30 September 2018.

v. Borrowings are also based on movements for:
   A. the payment of the June 2018 distribution of $60.7 million;
   B. the receipt of the net proceeds from the sale of 836 Wellington Street, Perth of $89.8 million;
   C. transaction costs (including a break fee of $32,006,439 to be paid to Blackstone) in connection with the Oxford Proposal and the Blackstone Proposal forecast to be incurred post 30 June 2018 of $35.5 million; and
   D. the funding of capital expenditure incurred for 151 Clarence Street, Sydney for the 3 months to 30 September 2018.

vi. Transaction costs for the Oxford Proposal which have not been included in the Pro Forma Financial Information are $12.5 million which may be payable to J.P. Morgan Australia Limited as financial adviser to IOF if the Proposal Resolutions are approved by the requisite majorities of IOF Unitholders.

14. In its valuation, the Independent Expert has adjusted Pro Forma NTA as at 30 June 2018 for estimated earnings from 1 July 2018 to the expected Implementation Date of 14 December 2018, capitalised overheads, and capitalised borrowing costs as at 30 June 2018. After applying these additional adjustments, the Independent Expert has stated that its valuation range is $5.49 to $5.52 per IOF Unit.

4. Profile of IOF

4.7 Material changes in IOF's financial position since last accounts published

The latest published financial statements of IOF are the financial statements for the full year to 30 June 2018, which were released to the ASX on 8 August 2018. To the knowledge of ILFML's Directors and except as disclosed elsewhere in this Explanatory Memorandum or announced on the ASX, the financial position of IOF has not materially changed since 30 June 2018, other than:

a. capital expenditure incurred for 151 Clarence Street, Sydney for the 3 months to 30 September 2018 of $36.5 million, which is reflected in the pro-forma value of Investment Properties and Borrowings;

b. as a result of the completion of the development at 151 Clarence Street, Sydney an independent valuation was obtained as at 30 September 2018. This valuation resulted in a valuation increase to the carrying amount at that date by $42.2 million;

c. the sale of 836 Wellington Street, Perth settled on 31 October 2018. The net proceeds of $89.8 million have been applied against borrowings;

d. fair value and foreign currency net expense on IOF's derivative financial instruments, and US dollar-denominated borrowings for the 3 months to 30 September 2018 of $0.4 million. Reflected in the pro-forma statement of financial position as a $9.9 million increase in the value of Derivative assets and a $10.3 million increase in Borrowings;

e. transaction costs for the Oxford Proposal and the Blackstone Proposal (including a break fee of $32,006,439 paid to Blackstone as a result of termination of the Blackstone SIA) forecast to be incurred post 30 June 2018 of $35.5 million, reflected as an increase in pro forma Borrowings; and

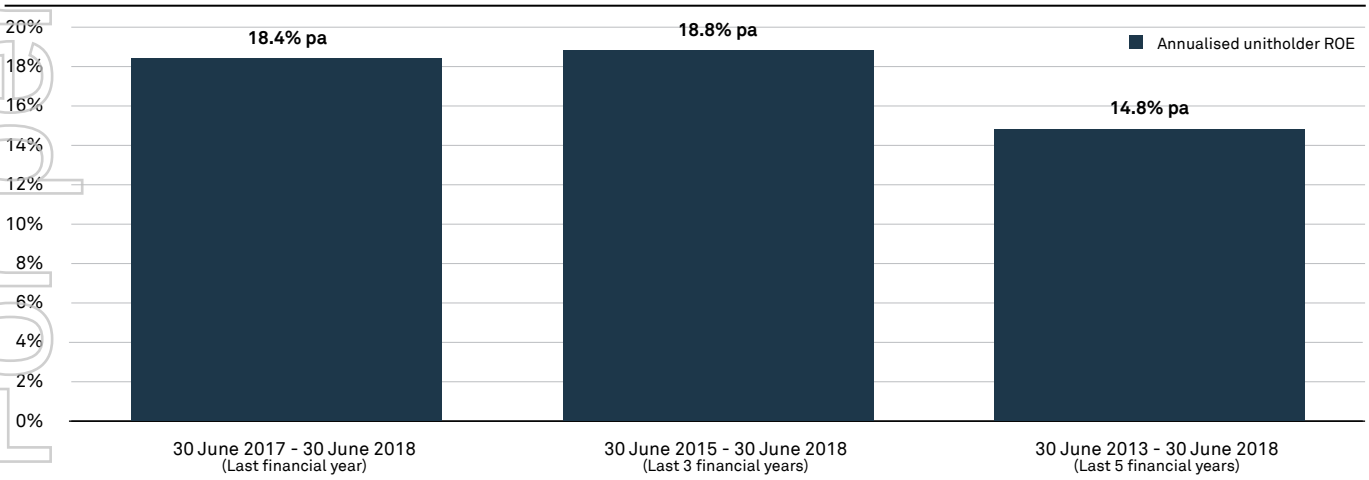
f. the payment of the June 2018 distribution of $60.7 million on 27 August 2018, reflected as an increase in pro forma Borrowings and a reduction in Distribution Payable.

All of the above changes are reflected in the pro-forma and unaudited statement of financial position set out in Section 4.6(b).

4.8 Historic Unitholder Return on Equity

IOF has provided a strong Return on Equity of 18.4% over the last financial year and 18.8% per annum over the last three financial years. This has been driven by strong valuation growth experienced in the portfolio reflecting continued improving market fundamentals, particularly in Sydney, North Sydney and Melbourne where IOF maintains a high allocation. Active asset management including significant leasing and delivering upon IOF's development and value add strategy have also been key drivers.

IOF Unitholder Return on Equity[15]



Source: Bloomberg

15. *Return on equity is calculated as: (Change in NTA + total distributions declared)/opening NTA for the relevant period. The returns have been annualised.*

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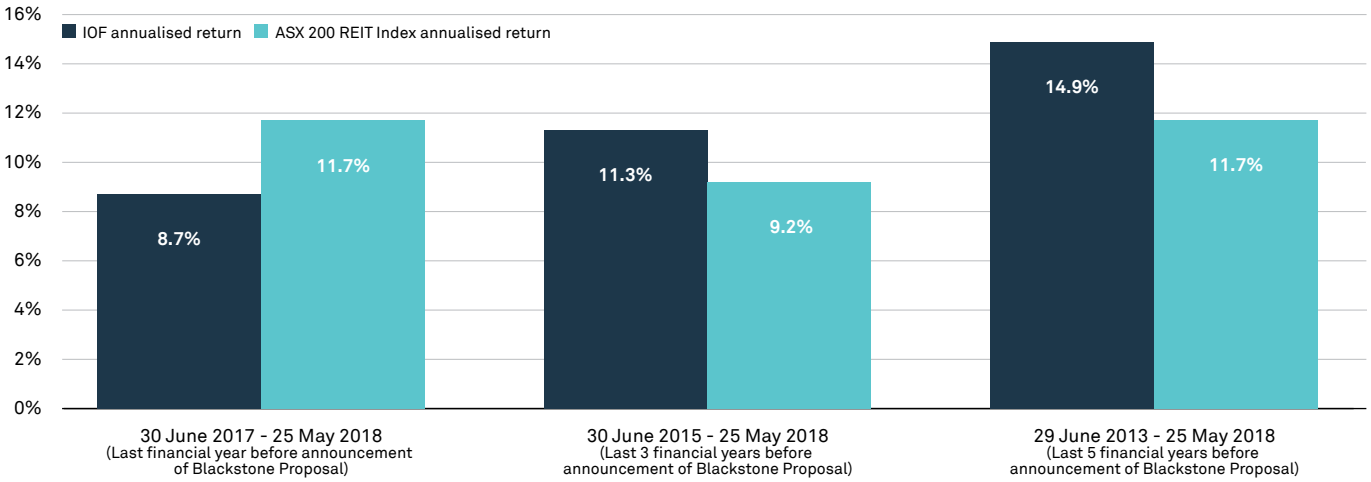
4.9 Historic Unitholder Total Return

Unitholder total return is a measure of the actual rate of return that an IOF Unitholder experiences over a given period, having regard to changes in the IOF Unit price and the amount of distributions received over that period.

IOF has delivered an annualised unitholder total return of 8.7% for the period between 30 June 2017 and 25 May 2018 (being the last trading day prior to announcement of the initial Blackstone Proposal), underperforming the REIT 200 index due to a range of potential factors including the cessation of the corporate activity playing out earlier in the period with Cromwell Property Group. IOF has delivered a unitholder total return of 11.3% and 14.9%, respectively, on an annualised basis, for the three and five years prior to announcement of the initial Blackstone Proposal on 25 May 2018, outperforming the REIT 200 index.

IOF Unitholder Total Return[16]



Source: Bloomberg

4.10 Recent performance

The closing price of IOF Units on ASX on 25 May 2018, being the trading day before announcement of the initial Blackstone Proposal, was $4.63 per IOF Unit. The 1 month VWAP of IOF Units to 25 May 2018 was $4.44.

During the 3 months ending on 25 May 2018:

- the highest recorded daily closing price for IOF Units on ASX was $4.63; and
- the lowest recorded daily closing price for IOF Units on ASX was $4.15.

The closing price of IOF Units on ASX on the Last Practicable Trading Date was $5.55.

4.11 FY19 Earnings Guidance

FFO guidance for FY19 is 29.2 cents per IOF Unit, a 4.6% decrease on IOF's FY18 FFO. This reflects the impact of a period of reduced income due to the refurbishment activity at 388 George Street, Sydney and 347 Kent Street, Sydney, and also includes the impact of the divestment of 836 Wellington Street in Perth.

Adjusted Funds From Operations (***AFFO***) is also anticipated to be impacted in FY19 by increased incentives and maintenance expenditure relating to the abovementioned projects and other leasing activity.

The distribution guidance for FY19 is 20.3 cents per IOF Unit.

It should be noted that IOF's distribution policy is to pay out 95-100% of AFFO through the property cycle. IOF's AFFO payout ratio from FY12 to FY17 averaged 91% in anticipation of the FY19 lease expiry profile and refurbishment activity.

This guidance is subject to prevailing market conditions and assumes no acquisitions or disposals.

16. *Total unitholder return includes the impact of distributions received and changes in unit price. It is assumed that unitholders reinvest distributions received into a purchase of additional units when unitholder total returns are calculated.*

4. Profile of IOF

4.12 Capital structure

As at the date of this Explanatory Memorandum, IOF has 598,418,985 IOF Units on issue.

4.13 Substantial unitholders

As at the Last Practicable Trading Date, IOF has received notification from the following persons of the fact that they hold a substantial holding (within the meaning of the Corporations Act) in IOF Units, based on substantial holder notice lodgements with the ASX, which are available on the ASX website.

Substantial unitholders in IOF[17]

IOF Unitholder	Effective date	Number of IOF Units	Voting interests at time of notice
OMERS Administration Corporation	13-Sep-18	119,667,397	19.9973%
The Vanguard Group, Inc.	8-Mar-16	50,058,157	8.15%

4.14 Continuous disclosure

IOF is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require IOF to notify the ASX of information about specified matters and events as they arise for the purpose of the ASX making that information available to participants in the market.

Once IOF becomes aware of any information concerning it which a reasonable person would expect to have a material effect on the price or value of an IOF Unit, IOF must (subject to limited exceptions) immediately tell ASX that information.

Publicly disclosed information about all ASX-listed entities, including IOF, is available on ASX's website at www.asx.com.au.

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17. Sourced from substantial holding notices lodged with the ASX as at the Last Practicable Trading Date.

Profile of the Oxford Acquirer

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5

5. Profile of the Oxford Acquirer

5.1 Overview of the Oxford Acquirer

Oxford AJO Bid Trust and Oxford PCP Bid Trust, together known as the Oxford Acquirer, are newly-established Australian Entities, which are ultimately owned by OMERS.

OMERS is a non-share corporation continued under the laws of Ontario, Canada, which serves as the administrator of the Ontario Municipal Employees Retirement System Pension Plans (***OMERS Pension Plans***) and as trustee of the pension funds. OMERS conducts its real estate activities via Oxford.

The OMERS Pension Plans are one of Canada's largest defined benefit pension plans with net assets of approximately C$95 billion. With employees in Toronto and other major cities across North America, the UK, Continental Europe and Asia Pacific, OMERS invests and administers pensions for more than 480,000 members who work for municipalities, school boards, emergency services and local agency employers across Ontario. The cornerstone of OMERS' investment strategy is its approach to asset allocation across five strategic asset classes – real estate, platform investments, infrastructure, capital markets and private equity.

To date, OMERS has committed substantial capital across Asia Pacific, including significant real estate investments via participation in the take-private of GLP in Singapore and the forthcoming office development scheme at Central Barangaroo in Sydney. Other notable investments include OMERS participation in the acquisition of the Port of Melbourne.

Oxford, which is OMERS' real estate arm, was founded in 1960 and is a leading global development, real estate investment and management platform. At September 2018, Oxford had global assets under management of over C$48 billion, focused on major global urban centres in Canada, the US, Europe and Asia, where it believes in market fundamentals and the prospect of delivering superior long-term returns. The platform is well diversified across markets, property types and industry sectors, and Oxford successfully leverages its vertical integration and geographic diversification to build and maintain a leadership position in the markets in which it chooses to operate. Oxford's portfolio includes over 60 million square feet of office, retail and industrial properties, along with over 7,400 residential suites and 2,880 hotel rooms, and a development pipeline of global development projects. Oxford is headquartered in Toronto with offices and teams across Canada and in London, Paris, New York, Washington DC, Boston, San Francisco, Berlin, Luxembourg, Singapore and Sydney.

5.2 Ownership and acquisition structure

On the Implementation Date, Oxford PCP Bid Trust will acquire all the units in PCP Trust and Oxford AJO Bid Trust will acquire all the units in AJO Fund. Oxford PCP Bid Trust and Oxford AJO Bid Trust are ultimately owned by OMERS. The trustees of each of Oxford PCP Bid Trust and Oxford AJO Bid Trust are subsidiaries of OMERS.

5.3 Funding Arrangements

On the Implementation Date, IOF Unitholders will receive the Proposal Consideration, being $5.60 for each IOF Unit. Based on the number of IOF Units on issue as at the date of this Explanatory Memorandum, the maximum amount of cash payable by the Oxford Acquirer to IOF Unitholders in connection with the Oxford Proposal will be approximately A$3.35 billion.

The description of the Oxford Acquirer's funding arrangements to finance the payment of the Proposal Consideration is as follows:

a. **Equity Funding Arrangements**

The Oxford Acquirer has received an equity commitment from OMERS for approximately A$3.35 billion such that the Oxford Acquirer has sufficient capacity to fund payment of the aggregate Proposal Consideration. The equity commitment is only subject to the Oxford Proposal becoming Effective and has been provided by OMERS for the benefit of IOF (acting through ILFML).

In addition, OMERS has provided an equity commitment to the Oxford Acquirer (which has also been provided for the benefit of IOF acting through ILFML), under which OMERS ensures the due and punctual payment of any indemnity payment payable by the Oxford Acquirer pursuant to clause 10.2 of the Oxford SIA up to a maximum aggregate amount of $75 million.

As of 31 December 2017, OMERS had net assets of approximately C$95 billion (A$102 billion)[1] and available cash and short-term deposits of C$14 billion (A$15 billion)[1]. The aggregate Proposal Consideration of approximately A$3.35 billion will be funded from such cash and short-term deposits which have been made available by OMERS for the purposes of the Oxford Acquirer making payment of the Proposal Consideration in accordance with the Oxford SIA and the Deed Poll. OMERS has, under the terms of the equity commitment, confirmed to the Oxford Acquirer that it has and will maintain unfunded available capital commitments in an amount of not less than A$3.35 billion.

1. *At exchange rate of 1 Australian Dollar = 0.9331 Canadian Dollars (being the rate published by the Bank of Canada on its website on 30 October 2018).*

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b. **Debt Funding Arrangements**

The Oxford Acquirer has sufficient equity (via the equity commitment from OMERS) to fund the entire Proposal Consideration in full such that the Oxford Proposal is not subject to debt financing arrangements. However Oxford Acquirer is proposing to put in place a syndicated debt finance facility to part fund the aggregate Proposal Consideration and expects that the facility, if agreed, would be available for funding at or around implementation of the Oxford Proposal. As noted above, given the equity commitment from OMERS, the Oxford Acquirer's ability to make payment of the entire Proposal Consideration is not dependent upon any such debt facility being put in place.

5.4 Oxford Acquirer's Intentions

The intentions set out in this section are statements of current intention only and are based on facts and circumstances that are known to the Oxford Acquirer as at the date of preparing this Explanatory Memorandum. Final decisions will only be made by the Oxford Acquirer after a detailed review of IOF has been conducted after implementation of the Oxford Proposal.

Accordingly, the intentions set out in this section may change as new information becomes available or circumstances change.

Following implementation of the Oxford Proposal, Oxford AJO Bid Trust will hold all of the units of AJO Fund and Oxford PCP Bid Trust will hold all of the units of PCP Trust. In particular, the Oxford Acquirer intends to:

a. have IOF removed from the official list of the ASX;

b. deregister IOF as a managed investment scheme under the Corporations Act;

c. continue to operate IOF as a trust investing in Australian office property;

d. develop and implement strategies to deliver superior returns for the IOF portfolio including strategies for disposal of select non-core assets, refurbishment or redevelopment of particular properties to derive rental returns, driving rental growth through implementation of leasing strategies, maintenance of rental income in performing assets and entry into strategic partnerships; and

e. refinance IOF's existing debt facilities with a new syndicated loan facility.

Given the scale of IOF's portfolio and Oxford's current management capability in Australia, the Oxford Acquirer will appoint an asset manager to manage IOF's portfolio following implementation. Having regard to its excellent track record of managing office assets in Australia, its success in managing the IOF portfolio and its deep knowledge of the IOF assets, it is likely that Oxford Acquirer will retain Investa Property Group as the manager of the IOF portfolio, although no final decision has been made. Any such appointment would be subject to negotiations with Investa Property Group and reaching agreement on the terms of the appointment including scope of services, duration and fee arrangements.

5.5 Oxford Acquirer liability under the Oxford SIA

Under clause 9.7 of the Oxford SIA, the sole and absolute liability of the Oxford Acquirer to ILFML in respect of any breach of any term of the Oxford SIA is limited to $75 million in aggregate (the ***Cap***). OMERS provided a commitment for the benefit of IOF (acting through ILFML) for the payment of any breaches of the Oxford Acquirer indemnification obligations under the Oxford SIA, up to the maximum aggregate $75 million amount. For the avoidance of doubt, the Cap does not limit the obligation on the Oxford Acquirer to pay the Proposal Consideration in accordance with the Oxford Proposal and the Supplemental Deeds Poll on the Implementation Date. IOF Unitholders should however be aware that:

a. such obligation is conditional on and subject to the Oxford Proposal becoming Effective; and

b. no liability of the Oxford Acquirer will arise under the Supplemental Deeds Poll until the Oxford Proposal becomes Effective.

Implementation of the Oxford Proposal

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6

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6.1 Implementation Agreement

On 18 October 2018, ILFML and the Oxford Acquirer entered into a scheme implementation agreement in relation to the Oxford Proposal under which ILFML agreed to put the Oxford Proposal to IOF Unitholders. The implementation of the Oxford Proposal is subject to a number of Conditions Precedent which are summarised in Sections 3.2 and 8.3 of this Explanatory Memorandum. The Oxford Proposal will not proceed unless all of these conditions are satisfied or waived (if applicable) in accordance with the Oxford SIA.

ILFML and the Oxford Acquirer have agreed to use best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent.

6.2 Deed Poll

On 1 November 2018, the Oxford Acquirer executed the Deed Poll, pursuant to which the Oxford Acquirer has agreed, in favour of all IOF Unitholders, to fulfil all obligations contemplated of the Oxford Acquirer under the Oxford Proposal, including the obligation to provide the Proposal Consideration to Proposal Participants, subject to the Oxford Proposal becoming Effective.

6.3 Effective Date

The Oxford Proposal will, subject to the Proposal Resolutions being passed at the Meeting and receipt of the Second Judicial Advice, become Effective on the Effective Date. If the Trust Constitution Amendment Resolutions are passed, notification will be lodged with ASIC following the Second Judicial Advice hearing.

IOF Units will be suspended from trading on the ASX at the close of trading on the Effective Date. If the Oxford Proposal proceeds, this will be the last day that IOF Units will trade on ASX.

6.4 Determination of persons entitled to the Proposal Consideration

a. **Record Date**

Persons who are recorded as IOF Unitholders on the IOF Register on the Record Date (expected to be 7pm on Monday, 10 December 2018) will become entitled to the Proposal Consideration in respect of the IOF Units they hold at that time.

b. **Dealings on or prior to the Record Date**

For the purposes of calculating entitlements under the Oxford Proposal, any dealing in IOF Units will only be recognised if:

i. in the case of dealings of the type to be effected using CHESS, the transferee is registered in the IOF Register as the holder of the relevant IOF Units by the Record Date; and

ii. in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the IOF Registry by 5pm on the Record Date.

Subject to the Corporations Act, the Listing Rules and the IOF Constitutions, ILFML must register registrable transmission applications or transfers of the kind recognised above which are effected by 7pm on the Record Date.

ILFML will not accept for registration or recognise for any purpose any transfer or transmission application in respect of IOF Units received after 5pm on the Record Date (other than as contemplated by the Oxford Proposal in relation to the transfer of the IOF Units to the Oxford Acquirer) or received prior to that time but not in registrable form.

c. **Dealings after the Record Date**

For the purposes of determining the entitlement to the Proposal Consideration, ILFML will, until the Proposal Consideration has been paid to the Proposal Participants, and the Oxford Acquirer has been registered as the holder of the IOF Units, maintain the IOF Register, subject to the comments in Section 6.4(a) of this Explanatory Memorandum, in its form as at the Record Date. The IOF Register in this form will solely determine entitlements to the Proposal Consideration.

From the Record Date, except as evidence of entitlement to the Proposal Consideration in respect of the IOF Units relating to that entry:

- all statements of holding in respect of IOF Units cease to have effect as documents of title in respect of such IOF Units; and
- each entry on the IOF Register will cease to be of any effect.

6. Implementation of the Oxford Proposal

6.5 Proposal Consideration

A summary of the Proposal Consideration is set out in Section 3.3.

6.6 Payment of Proposal Consideration

If the Oxford Proposal becomes Effective and is implemented:

a. **Deposit of aggregate Proposal Consideration by Oxford Acquirer**

The Oxford Acquirer must, by 12 noon on the day before the Implementation Date, deposit in immediately available funds, an amount equal to the aggregate Proposal Consideration payable in respect of the IOF Units, into an Australian dollar denominated trust account operated by ILFML as trustee for the Proposal Participants.

b. **Payment of Proposal Consideration**

On the Implementation Date, subject to funds having been deposited by the Oxford Acquirer as set out above, ILFML must pay or procure the payment, to each Proposal Participant, the Proposal Consideration in respect of their IOF Units, by:

i. electronic funds transfer to the account of the Proposal Participant with the bank or other financial institution nominated by them for receipt of distributions on their IOF Units; or

ii. otherwise, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian dollars to the Proposal Participant by prepaid post to their registered address (as at the Record Date), such cheque being drawn in the name of the Proposal Participant, subject to rules for joint holders.

6.7 Delisting IOF

The Oxford Acquirer will apply for termination of the official quotation of IOF Units on ASX, and to have IOF removed from the official list of ASX, with effect after the Implementation Date.

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Taxation Report

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7

7. Taxation Report

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6 November 2018

The Directors
Investa Listed Funds Management Limited as
responsible entity for Prime Credit Property Trust
and Armstrong Jones Office Fund
Level 30, 420 George Street
Sydney NSW 2000

Dear Directors

Australian Taxation Report

We have been requested to prepare a summary of the Australian tax consequences for Australian resident and non-resident IOF Unitholders of the implementation of the Oxford Proposal to be included in the Notice of Meeting and Explanatory Memorandum issued by ILFML dated on or around 6 November 2018 (the ***Explanatory Memorandum***). The information contained in this summary is only general in nature. This summary has been prepared on the assumption that the Oxford Proposal described in the Explanatory Memorandum will be carried out in the manner described in the Explanatory Memorandum.

This summary does not address all tax consequences to IOF Unitholders of the Oxford Proposal, and in particular, does not address the positions of IOF Unitholders who:

- acquired their IOF Units in the course of a business of trading or investing in securities, such as share traders, investment companies, banks or insurance companies, or who otherwise hold IOF Units on revenue account or as trading stock; and/or
- acquired their interests in their IOF Units pursuant to an employee share, option or rights plan; and/or
- are subject to the "taxation of financial arrangements" rules in Division 230 of the Tax Act in respect of their IOF Units; and/or
- acquired (or are deemed to have acquired) their units in either the AJO Fund or the PCP Trust before 20 September 1985.

The actual tax consequences to IOF Unitholders of the Oxford Proposal may differ depending upon their individual circumstances.

IOF Unitholders should be advised to consult their own professional tax adviser regarding the consequences of the Oxford Proposal in light of their particular circumstances. IOF Unitholders who are not resident in Australia should obtain advice on the taxation implications arising from the Oxford Proposal in their local jurisdiction.

This summary is based on Australian tax laws and regulations and the current administrative practice of the Australian Taxation Office (the ***ATO***) as at the date of this Explanatory Memorandum.

Defined terms used in this letter take their meaning from the Explanatory Memorandum, unless the context requires otherwise.

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1 Income Tax Consequences of Oxford Proposal

1.1 De-Stapling

No tax consequences should arise as a result of the De-Stapling Resolutions in respect of IOF Units for resident or non-resident IOF Unitholders.

1.2 Sale - Australian resident IOF Unitholders

(a) Capital gains tax (*CGT*)

Each IOF Unit consists of two separate CGT assets: an AJO Unit and a PCP Unit.

The Oxford Proposal will give rise to two separate CGT events for IOF Unitholders:

- a CGT event on the disposal of their AJO Units for cash; and
- a CGT event on the disposal of their PCP Units for cash.

This means that IOF Unitholders will need to determine whether a capital gain, or a capital loss, arises in respect of each component security of their IOF Units.

On the basis that the CGT events will arise as a consequence of the trust scheme under the Oxford Proposal, the time of the CGT event will be the date of the disposal, which will be the Implementation Date for the Oxford Proposal.

IOF Unitholders will make a capital gain on a relevant CGT event to the extent that:

- their capital proceeds from the disposal of their AJO Units are greater than their 'cost base' for their AJO Units; or
- their capital proceeds from the disposal of their PCP Units are greater than their 'cost base' for their PCP Units.

The 'CGT Discount' may be available to reduce the taxable gain for an IOF Unitholder who is an individual, complying superannuation entity or trust (discussed below).

IOF Unitholders will make a capital loss on a relevant CGT event to the extent that:

- their capital proceeds from the disposal of their AJO Units are less than their 'reduced cost base' for their AJO Units; or
- their capital proceeds from the disposal of their PCP Units are less than their 'reduced cost base' for their PCP Units.

(b) Cost base or reduced cost base

The first element of an IOF Unitholder's cost base, or reduced cost base, for their AJO Units is the amount paid by the IOF Unitholder for their AJO Units. Similarly, the first element of an IOF Unitholder's cost base, or reduced cost base, for their PCP Units is the amount paid by the IOF Unitholder for their PCP Units. Other amounts associated with the acquisition or disposal of the AJO Units, or the PCP Units, such as broker fees, may be added to their cost bases.

An IOF Unitholder who acquired their IOF Units for consideration which did not separately allocate an amount to each of the AJO Units and PCP Units can apportion the amount paid on a reasonable basis across their AJO Units and PCP Units. One possible method of apportionment is on the basis of the relative net assets of the AJO Fund and the PCP Trust at the time of acquisition. Information regarding the net asset split of the AJO Fund and the PCP Trust as at 30 June each year is published on the Investa website.

7. Taxation Report

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Also, the cost base or reduced cost base of an IOF Unitholder's AJO Units and PCP Units may be subject to adjustments because of the character of certain components of distributable amounts received by, or attributed to, the IOF Unitholder during the period of ownership of their AJO Units and PCP Units. The adjustments may have happened under different rules applicable to the AJO Fund and PCP Trust before and after the time that ILFML made a choice for each of AJO Fund and PCP Trust to become an attribution managed investment trust (***AMIT***) with effect from the year ended 30 June 2017:[1]

- For the periods before AJO Fund and PCP Trust became an AMIT, the cost base or reduced cost base of an IOF Unitholder's AJO Units and PCP Units will be reduced by any tax deferred distributions that have been paid by the AJO Fund or the PCP Trust, respectively, since acquisition of the units by the IOF Unitholder. Details of distributions made by IOF for relevant financial years can be found by an IOF Unitholder on their Annual Tax Statement.
- For the period since the AJO Fund and PCP Trust became an AMIT, an adjustment can be made to the cost base or reduced cost base of an IOF Unitholder's AJO Units and PCP Units depending on the difference between, generally, (1) the actual amount of distributions to which the IOF Unitholder is entitled to receive and (2) the total components of income attributed to the IOF Unitholder under the AMIT rules, in respect of the IOF Unitholder being a member of AJO Fund and PCP Trust. The difference may result in an 'excess' or 'shortfall' in the IOF Unitholder's 'AMIT cost base net amount' under the AMIT rules in respect of each of the AJO Fund and PCP Trust:
  - If the amount in (1) above exceeds the amount in (2) above, there will be an 'excess' which will reduce the cost base or reduced cost base of an IOF Unitholder's AJO Units and PCP Units; and
  - If the amount in (1) above is less than the amount in (2) above, there will be a 'shortfall' which will increase the cost base or reduced cost of an IOF Unitholder's AJO Units and PCP Units.

  The amount of the 'AMIT cost base net amount' for an IOF Unitholder is reported in their AMIT member annual statement (***AMMA statement***), accessible online through their Link Market Services account.

(c) Capital proceeds

The overall capital proceeds that will be received by IOF Unitholders from the disposal of their AJO Units and PCP Units will be the Proposal Consideration.

The capital proceeds for the disposal of the AJO Units will be that part of the Proposal Consideration payable by Oxford AJO Bid Trust.

The capital proceeds for the disposal of the PCP Units will be that part of the Proposal Consideration payable by Oxford PCP Bid Trust.

The allocation of the Proposal Consideration between the AJO Units and PCP Units will be determined before the Implementation Date for the purpose of determining the amount payable by each of Oxford AJO Bid Trust and Oxford PCP Bid Trust. Information about the allocation of the Proposal Consideration, or the method of apportionment, is expected to be provided to IOF Unitholders before, or shortly after, the Implementation Date.

[1] See Investa Office Fund, Attribution Managed Investment Trust (AMIT), Frequently Asked Questions (https://www.investa.com.au/www_investa/media/about-investa/iof-amit-faq_2017.pdf).

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(d) Net capital gain or loss

Any capital gain (or capital loss) made by an IOF Unitholder will be aggregated with other capital gains and capital losses of the IOF Unitholder in the relevant year of income to determine whether the IOF Unitholder has an overall net capital gain or overall net capital loss for the income year in which the CGT event occurs. A net capital gain, if any, will be included in the IOF Unitholder's assessable income and will be subject to income tax. A net capital loss may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

(e) CGT Discount

If an IOF Unitholder is an individual, complying superannuation entity or a trust, and held their IOF Units for 12 months or more before the disposal, the IOF Unitholder may be entitled to a 'CGT Discount' for any capital gain made on the disposal of their AJO Units and PCP Units. IOF Unitholders should seek independent advice to determine if their AJO Units and PCP Units have been held for the requisite period.

The 'CGT Discount' provisions may entitle IOF Unitholders to reduce their capital gain on the disposal of an AJO Unit or PCP Unit (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third in the case of complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains. The 'CGT Discount' is not available to companies.

An IOF Unitholder who acquired their units in either AJO Fund or PCP Trust on or before 11.45am on 21 September 1999 may choose to apply the indexation method and index their cost base up to 30 September 1999 instead of applying the 'CGT Discount' as described above.

1.3 Sale - Non-Australian residents

Any capital gain or capital loss made by a non-Australian resident IOF Unitholder from the disposal of their AJO Units and PCP Units will be disregarded unless their AJO Units or PCP Units are 'taxable Australian property'.

An AJO Unit or PCP Unit will be 'taxable Australian property' for an IOF Unitholder only if:

- the IOF Unitholder's AJO Unit or PCP Unit is, or has been, held by the IOF Unitholder in carrying on a business at or through a permanent establishment in Australia; or
- the IOF Unitholder is an individual who made an election to disregard making a capital gain or capital loss from a CGT event I1 in respect of the AJO Unit or PCP Unit when they ceased to be an Australian resident (if the IOF Unitholder was ever an Australian resident); or
- broadly, the IOF Unitholder, together with any associates, owns, or owned, at the Implementation Date or throughout a 12 month period during the two years preceding the Implementation Date, 10% or more of all the issued units in IOF (in which case the IOF Units would constitute an 'indirect Australian real property interest').

An IOF Unitholder who believes that one of the categories above may be applicable to their circumstances should seek their own advice.

If a non-Australian resident IOF Unitholder's AJO Units or PCP Units are 'taxable Australian property' and the IOF Unitholder makes a capital gain as a result of the disposal of their AJO Units and PCP Units, the IOF Unitholder will not be entitled to any 'CGT Discount'.

7. Taxation Report

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1.4 Distributions

Under the terms of the Oxford Proposal, a distribution cannot be paid to IOF Unitholders other than by agreement of the Oxford Acquirer.

Any distribution declared or paid on or after 13 September 2018 and before the Implementation Date will reduce the Proposal Consideration.

This commentary does not address the potential consequences for the capital proceeds of IOF Unitholders if any such distribution is declared and made before the Implementation Date. If such a distribution is declared and made before the Implementation Date, different tax considerations could apply and IOF Unitholders will need to seek their own advice about the potential consequences.

2 Foreign resident capital gains tax withholding

In accordance with the foreign resident capital gains tax withholding rules contained in the tax legislation, the Oxford Acquirer may be required to withhold and pay to the ATO 12.5% of the Proposal Consideration otherwise payable to an IOF Unitholder if the interest acquired is an 'indirect Australian real property interest' and on the Implementation Date, the Oxford Acquirer:

- knows or reasonably believes the IOF Unitholder is a foreign resident; or
- does not reasonably believe the IOF Unitholder is an Australian resident, and either:
  - the IOF Unitholder has an address outside Australia; or
  - the Oxford Acquirer is authorised to pay the Proposal Consideration to a place outside Australia (such as an overseas bank account).

An 'indirect Australian real property interest' includes a unitholding in a trust, where the majority of the value of the trust is attributable to land in Australia, if that unitholding is a 'non-portfolio interest'. An IOF Unitholder will have a non-portfolio interest if they own on the Implementation Date, or owned throughout a 12 month period during the two years preceding the Implementation Date, (together with any interest held by their associates, if applicable), 10% or more of all the issued units in IOF.

We understand the Oxford Acquirer will clarify the status of certain IOF Unitholders. Unless an IOF Unitholder is contacted separately by the Oxford Acquirer to clarify whether they are a foreign resident or whether their units are an 'indirect Australian real property interest', it is not expected that the Oxford Acquirer will withhold any amount from their Proposal Consideration and they will not be required to take any action regarding these rules.

3 GST

No GST should be payable by an IOF Unitholder (whether Australian resident or non-resident) in respect of any of the steps of the Oxford Proposal.

4 Stamp Duty

No stamp duty should be payable by an IOF Unitholder in respect of any of the steps of the Oxford Proposal.

Yours faithfully

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Additional Information

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8

8. Additional Information

8.1 Relevant interests of ILFML Directors

The Relevant Interests of the ILFML Directors in IOF Units as at the date of this Explanatory Memorandum are set out below.

Director	Position	Number of IOF Units
Richard Longes	Chairman and Non-Executive Independent Director	15,000
John Fast	Non-Executive Independent Director	15,000
Geoff Kleemann	Non-Executive Independent Director	15,000
Robert Seidler AM	Non-Executive Independent Director	11,579
Gai McGrath	Non-Executive Independent Director	2,000

8.2 No pre-transaction benefits

a. Benefits in connection with retirement from office

Except as disclosed in Section 8 of this Explanatory Memorandum, no payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of ILFML (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from office in ILFML or any of its Related Bodies Corporate in connection with the Proposal.

The ILFML Directors are covered under an insurance policy maintained by:

- for the period until 10 August 2018, ICPF Holdings Limited on behalf of all its subsidiaries, including ILFML; and
- for the period after 10 August 2018, Investa Office Management Holdings Pty Limited on behalf of all its subsidiaries, including ILFML.

IOF has not paid any insurance premium for any person who is or has been a director or officer of the responsible entity.

b. ILFML Directors' interests in agreements or arrangements relating to the Oxford Proposal

Except as disclosed in this Explanatory Memorandum:

i. no member of the ILFML Board has any other interest in a contract entered into by the Oxford Group;

ii. there are no contracts or arrangements between a member of the ILFML Board any person in connection with or conditional upon the outcome of the Oxford Proposal; and

iii. no member of the ILFML Board has a material interest in relation to the Oxford Proposal other than in their capacity as an IOF Unitholder as outlined in Section 8.1 of this Explanatory Memorandum.

For completeness, it is noted that:

iv. as disclosed in IOF's 2018 Corporate Governance Statement, Geoff Kleemann is a member of the Audit and Operational Risk Committee (***Risk Committee***), which is a committee of the IOM Board that assists the ILFML Board with its oversight of risk management for IOF. Mr Kleemann's appointment to this role is in accordance with the Risk Committee charter which requires the members of the committee to include at least one non-executive member from the Audit Committee of ILFML.

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8.3 Summary of Oxford SIA

The Oxford SIA was released to ASX in full on 18 October 2018. A summary is provided below.

Topic	Summary
Parties	ILFML and the Oxford Acquirer (being Oxford AJO Bid Trust and Oxford PCP Bid Trust). On implementation, the AJO Units will be de-stapled from the PCP Units, and Oxford AJO Bid Trust will acquire the AJO Units and Oxford PCP Bid Trust will acquire the PCP Units.
Conditions Precedent and status	The Oxford Proposal to acquire all of the units in IOF by way of trust scheme is subject to a number of Conditions Precedent. The following Conditions Precedent are outstanding at the date of this Explanatory Memorandum: a. (**FIRB**) The Oxford Acquirer receives the necessary approvals from the Treasurer of the Commonwealth of Australia (or his delegate) to acquire IOF. **Status**: FIRB approval in relation to the acquisition of IOF was received by the Oxford Acquirer on 5 November 2018. b. (**Regulatory Approvals**) All regulatory approvals (being ASIC and ASX waivers) required to implement the Oxford Proposal are granted or obtained and those approvals are not withdrawn, cancelled or revoked. **Status**: ASX has agreed to grant the waivers and confirmations necessary to implement the Oxford Proposal. ASIC has agreed to grant the relief necessary to implement the Oxford Proposal. c. (**IOF Unitholder Approval**) IOF Unitholders approve the Proposal Resolutions by the requisite majorities. **Status**: The Meeting to consider the Proposal Resolutions will be held at 2.30pm on 4 December 2018 at the Westin Hotel, Heritage Ballroom, 1 Martin Place, Sydney. d. (**No restraints**) No restraint imposed by a court or other governmental agency that prohibits, materially restricts, makes illegal or restrains the completion of the Oxford Proposal remains in effect. **Status**: As at the date of this Explanatory Memorandum, neither ILFML nor the Oxford Acquirer is aware of anything that will cause this Condition Precedent not to be satisfied. e. (**Execution and lodgement of each Supplemental Deed Poll**) ILFML executes each Supplemental Deed Poll and lodges a copy of the executed Supplemental Deed with ASIC. **Status**: ILFML will execute the Supplemental Deed and lodge with ASIC if the Proposal Resolutions are approved by the requisite majorities and the Second Judicial Advice is received. f. (**No IOF Prescribed Occurrences**) No IOF Prescribed Occurrence occurs before the Second Judicial Advice Date, other than as required or permitted by the Oxford SIA or the Oxford Proposal or agreed to in writing by the Oxford Acquirer. **Status:** As at the date of this Explanatory Memorandum, neither ILFML nor the Oxford Acquirer is aware of anything that will cause this Condition Precedent not to be satisfied. g. (**No IOF Material Adverse Change**) No Material Adverse Change occurs before the Second Judicial Advice Date. **Status**: As at the date of this Explanatory Memorandum, neither ILFML nor the Oxford Acquirer is aware of anything that will cause this Condition Precedent not to be satisfied. h. (**Board Recommendation**) No member of the ILFML Board has, prior to the Meeting, withdrawn, qualified or varied their recommendation that IOF Unitholders vote in favour of the Proposal Resolutions. **Status**: As at the date of this Explanatory Memorandum, the Directors have not withdrawn, qualified or varied their recommendation that IOF Unitholders vote in favour of the Proposal Resolutions.

8. Additional Information

Topic	Summary
Conditions Precedent and status *continued*	i. (**Judicial Advice**) The Court provides the Second Judicial Advice, which will confirm, amongst other things, that ILFML would be justified in proceeding to implement the Oxford Proposal. **Status**: The Second Judicial Advice will be sought on or around 5 December 2018. j. (**Independent Expert's Report**) The Independent Expert does not change its conclusion that the Oxford Proposal is in the best interests of IOF Unitholders or withdraw its report prior to the Meeting. **Status**: Satisfied as at the date of this Explanatory Memorandum. k. (**Execution of Deed Poll**) The Oxford Acquirer signs and delivers the Deed Poll. **Status**: Satisfied as at the date of this Explanatory Memorandum. l. (**Oxford Acquirer Funding**) The Oxford Acquirer's warranty that it has a reasonable basis to expect that it will, by the business day prior to the Implementation Date, have funds sufficient to perform its obligations if the Oxford Proposal becomes Effective, is true and correct on the Second Judicial Advice Date. **Status**: Satisfied as at the date of this Explanatory Memorandum.
Exclusivity	The Oxford SIA contains various exclusivity provisions (as outlined below) that regulate the actions, discussions and negotiations that ILFML may have with respect to any Competing Proposal, being any actual or proposed proposal, agreement, arrangement or transaction where a third party would acquire a relevant interest in 20% or more of the IOF units, acquire Control of IOF, acquire an interest in a substantial or material part of IOF's business, merge with IOF or require ILFML to abandon the Oxford Proposal. **No existing discussions** Under the Oxford SIA, ILFML represented and warranted that, as at the date of the Oxford SIA: • there were no current negotiations or discussions relating to any actual, proposed or potential Competing Proposal; and • no confidential information had been provided to a third party since the date of the Oxford SIA under a confidentiality agreement in relation to an actual, proposed or potential Competing Proposal. **No shop** ILFML and its Representatives must not directly or indirectly solicit, invite, encourage or initiate enquiries, negotiations or discussions with a view to obtaining a Competing Proposal, or expression of interest in relation to a Competing Proposal. **No talk** Subject to the fiduciary exception discussed below, ILFML and its Representatives must not participate or enter into in negotiations or discussions in relation to a Competing Proposal or any arrangement, agreement or understanding that may be reasonably expected to lead to a Competing Proposal. **No due diligence** Subject to the fiduciary exception discussed below, ILFML and its Representatives, must not enable, disclose, make available or permit the disclosure of, any non-public information relating to IOF or enable a third party to undertake due diligence investigations on their businesses or operations, in connection with a Competing Proposal. **Notification of approaches** Subject to the fiduciary exception discussed below, ILFML must promptly notify the Oxford Acquirer, and in any event within 24 hours of becoming aware of any: • bona fide, written Competing Proposal received by ILFML or its Representatives, including the identity of the person making the actual, proposed or potential Competing Proposal and the material terms and conditions of that Oxford Proposal; and • provision by ILFML or its Representatives of any non-public information concerning the business or operations of IOF.

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Topic	Summary
Exclusivity ***continued***	**Matching right** The Oxford Acquirer has 4 Business Days in which to match any bona fide written Competing Proposal which the ILFML Board considers to be a Superior Proposal. The ILFML Board must not change its recommendation in favour of the Oxford Proposal unless the Oxford Acquirer has been given the right to match and has chosen not to exercise that right. **Fiduciary exception** ILFML's no talk, no due diligence and notification of approach obligations are subject to a fiduciary carve-out. This means that those obligations do not apply to the extent that they restrict ILFML from taking or refusing to take any action with respect to a Competing Proposal where the ILFML Board has determined, in good faith that: • such a Competing Proposal is, or could reasonably be considered to become, a Superior Proposal, after consultation with its financial advisors; and • after receiving legal advice from its external legal advisers that failing to take action or respond to such a proposal would be likely to constitute a breach of the ILFML directors' fiduciary or statutory obligations.
Board recommendation	ILFML is required to procure that the ILFML Board maintain their recommendation that IOF Unitholders vote in favour of the Proposal Resolutions in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Oxford Proposal is in the best interests of IOF Unitholders. The ILFML Board may only change, withdraw or qualify their recommendation in favour of the Oxford Proposal if: • the Independent Expert concludes that the Oxford Proposal is not in the best interests of IOF Unitholders; or • there is a Superior Proposal, and the ILFML Board, after considering the matter in good faith and taking advice from its legal and financial advisers no longer considers the Oxford Proposal to be in the best interests of IOF Unitholders.
Termination rights	**Mutual termination rights** Either the Oxford Acquirer or ILFML may terminate the Oxford SIA if: • (**Conditions Precedent**) the Conditions Precedent are not satisfied or waived (as applicable); • (**material breach**) the other party is in material breach of its obligations, representations or warranties, which breach is not remedied within 5 business days (or any such shorter period before the Second Judicial Advice Date) of receiving notice of the breach; • (**not Effective**) the Oxford Proposal has not become Effective on or before the End Date; or • (**no approval by IOF Unitholders**) the Proposal Resolutions are not approved by the requisite majority at the Meeting. **Oxford Acquirer termination rights** The Oxford Acquirer may terminate the Oxford SIA if: • (**Board recommendation**) the ILFML Board fails to recommend the Oxford Proposal or any ILFML director withdraws or adversely revises their recommendation that IOF Unitholders vote in favour of the Oxford Proposal or otherwise makes a public statement it no longer supports the Proposal; or • (**Competing Proposal**) ILFML enters into an agreement to implement a Competing Proposal. **ILFML termination rights** ILFML may terminate the Oxford SIA if the majority of the ILFML Board publicly changes or withdraws its recommendation that IOF Unitholders vote in favour of the Oxford Proposal, or publicly recommends, promotes or otherwise endorses a Superior Proposal, and ILFML has complied with its exclusivity obligations and obligations to pay a break fee (if applicable).

8. Additional Information

Topic	Summary
Break Fee	**When break fee is payable** Subject to the exceptions outlined below, a break fee of approximately $33.5 million is payable by ILFML if: • (**Competing Proposal**) a Competing Proposal is notified to the Oxford Acquirer or announced before the earlier of (i) the Second Judicial Advice Date; and (ii) the termination of the Oxford SIA, and the Competing Proposal is completed within 12 months of the date of the Oxford SIA. • (**Change of recommendation**) any ILFML director fails to recommend the Oxford Proposal or withdraws their recommendation except where the change was made after: – the Independent Expert concluding that the Oxford Proposal is not in the best interests of IOF Unitholders other than where the conclusion is due wholly or in material part to the existence, announcement or publication of a Competing Proposal; or – ILFML has terminated the Oxford SIA due to the material breach by the Oxford Acquirer of its obligations or warranties, or due to the Oxford Proposal not being approved by the requisite majority of IOF Unitholders at the Meeting. • (**Termination by Oxford Acquirer**) the Oxford Acquirer has validly terminated the Oxford SIA due to: – a material breach by ILFML of its obligations or warranties which has continued to exist for 5 Business Days; – any ILFML director withdrawing or qualifying their recommendation in favour of the Oxford Proposal or otherwise making a public statement that they no longer support the Oxford Proposal; or – ILFML entering into an agreement to implement a Competing Proposal. **Exceptions – when break fee is *not* payable** The break fee is not payable: • if the Oxford Proposal becomes Effective; • merely by reason that the Oxford Proposal is not approved by IOF Unitholders at the Meeting; and • to the extent that payment of the break fee is finally determined by the Takeovers Panel or a court to be unlawful, involve a breach of the fiduciary or statutory duties of the ILFML Board, or constitute unacceptable circumstances within the meaning of the Corporations Act.
Conduct of business	ILFML is subject to conduct of business obligations applying until the Implementation Date, including that: • the business and operations of IOF are conducted in the ordinary course and consistent with the manner conducted in the 12 month period prior to the date of the Oxford SIA; and • the Oxford Acquirer is notified of any material developments concerning IOF or its properties. ILFML is not restricted from taking any action: • required or permitted by the Oxford SIA or the Oxford Proposal; • which has been agreed in writing by the Oxford Acquirer; • which has been fairly disclosed in the due diligence material provided to the Oxford Acquirer as being actions that IOF may carry out prior to the Implementation Date; • which has been fairly disclosed in ILFML's announcements to ASX or documents lodged with ASIC prior to the date of the Implementation Date; • to avoid an IOF Material Adverse Change; or • required by law, an order of a court or a Government Agency.
Representations and warranties	Each of ILFML and the Oxford Acquirer has given representations and warranties to the other which are customary for an agreement of this kind.

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Topic	Summary
Oxford Acquirer limitation of liability	The sole and absolute liability of the Oxford Acquirer to ILFML in respect of any breach of any term of the Oxford SIA is limited to $75 million in aggregate (the ***Cap***). OMERS has provided an equity commitment to the Oxford Acquirer (which has also been provided for the benefit of IOF acting through ILFML), under which OMERS ensures the due and punctual payment of any indemnity payment payable by the Oxford Acquirer pursuant to clause 10.2 of the Oxford SIA up to a maximum aggregate amount of $75 million. For the avoidance of doubt, the Cap does not limit the obligation on the Oxford Acquirer to pay the Proposal Consideration in accordance with the Oxford Proposal and the Supplemental Deeds Poll on the Implementation Date. It is acknowledged by ILFML that: a. such obligation is conditional on and subject to the Oxford Proposal becoming Effective; and b. no liability of the Oxford Acquirer will arise under the Supplemental Deeds Polls until the Oxford Proposal becomes Effective.

8.4 Pre-emptive rights in respect of IOF's portfolio

a. **Bond Street Co-Owner Agreement**

Under the terms of the Bond Street Co-Owner Agreement, the co-owner of IOF's 10-20 Bond Street property has a pre-emptive right that can be triggered when there is a prohibited disposal which occurs without the co-owner's consent. A prohibited disposal includes a change in control of IOF. The acquisition of all of the IOF Units by the Oxford Acquirer under the Oxford Proposal without the consent of the co-owner would constitute a prohibited disposal.

If pre-emptive rights are triggered under the Bond Street Co-Owner Agreement, an independent valuation must be undertaken to determine the net proceeds of a sale. Once determined, IOF's co-owner may purchase IOF's share of the property at the determined price on prescribed sale conditions.

b. **George Street Co-Owner Agreement**

Under the George Street Co-owner Agreement, a default can occur in favour of a co-owner where there is a prohibited disposal. Prohibited disposals arise from a change of responsible entity of IOF or a change of control of IOF which occurs when IOF is no longer listed on ASX.

The Oxford Proposal is not expected to trigger a default under the George Street Co-owner Agreement as the acquisition of the IOF Units by the Oxford Acquirer is to occur on the Implementation Date before delisting of IOF.

c. **Other Co-Ownership Agreements**

Acquisition of all of the IOF Units by the Oxford Acquirer under the Oxford Proposal is not expected to trigger any pre-emptive rights under other co-ownership agreements in respect of other properties which are co-owned by IOF.

8.5 Change of control consequences under IOF financing arrangements

Under the Oxford SIA, ILFML is required to work in good faith with the Oxford Acquirer (on its reasonable request) on IOF's existing financing arrangements, including seeking all relevant consents and waivers and cooperating in the Oxford Acquirer's efforts to prepay, and to minimise the cost of prepaying, bonds issued by the IOF Group. An overview of the change of control consequences arising under IOF's debt arrangements in the context of the Oxford Proposal is set out below.

a. **USPP**

ILFML as responsible entity of the AJO Fund and the PCP Trust has entered into documentation for the issuance of private placement notes.

Impact of Oxford Proposal

Under the terms of the USPP note documentation:

- a change of control of IOF constitutes a review event;
- the de-stapling of AJO Units from PCP Units is a review event; and
- amendment to the IOF Constitutions in a manner that would have a material adverse effect (as defined in the USPP note documentation) is an event of default.

Consequences of a review event

If there is a review event, the issuer must offer to prepay the USPP notes at 100% of their principal amount, together with interest accrued to the prepayment date.

8. Additional Information

Consequences of an event of default

If there is an event of default, noteholders can accelerate repayment of the notes and the issuer must repay the notes (including all accrued and unpaid interest) as well as a 'make whole amount', which is calculated by discounting remaining cash flows by US Treasuries + 50 bps.

b. **Green Bond MTN Programme Series Two**

The medium term note (***MTN***) programme is a debt programme entered into by ILFML as responsible entity of the AJO Fund and the PCP Trust under which ILFML has issued notes.

Impact of Oxford Proposal

Under the terms of the MTN documentation:

- a change of control of IOF does not constitute a review event or event of default;
- the de-stapling of AJO Units from PCP Units does not constitute a review event or event of default; and
- amendment to the IOF Constitutions in a manner that would have a material adverse effect (as defined in the MTN documentation) is an event of default.

Consequences of an event of default

If there is an event of default, the noteholders can accelerate repayment and the issuer must pay the principal amount outstanding on the notes plus accrued interest.

c. **Common Terms Deed**

Impact of Oxford Proposal

Under the Common Terms Deed:

- a change of control of IOF constitutes a review event;
- the de-stapling of AJO Units from PCP Units is a review event; and
- amendment to the IOF Constitutions in a manner that would have a material adverse effect is an event of default.

Consequences of a review event

If a review event is continuing, each lender may require IOF to negotiate amendments to their finance documents. If agreement is not achieved within 30 days, the lender may by 60 days' notice:

- cancel all or part of the total commitments;
- declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the relevant finance documents be due and payable; and/or
- declare that all or part of the loans be payable on demand.

There are no make-whole or other penalties payable if a demand is made following a review event but if payment is made on a date other than the last day of the relevant interest period, break costs may be payable.

Consequences of an event of default

If an event of default is continuing, the lenders can accelerate and require immediate repayment of amounts outstanding under the finance documents.

8.6 Deemed warranty on transfer of IOF Units to Oxford Acquirer

Under the changes to the IOF Constitutions to be effected through the Supplemental Deeds Poll, Proposal Participants are taken to have warranted to the Oxford Acquirer, and have authorised ILFML to warrant, to the Oxford Acquirer, that:

a. all of their IOF Units (including any rights and entitlements attaching to those securities) will, at the date of transfer to the Oxford Acquirer, be fully paid and free from encumbrances; and

b. they have full power and capacity to sell and to transfer their IOF Units (including any rights and entitlements attaching to those securities) to the Oxford Acquirer under the Oxford Proposal.

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8.7 Appointment of ILFML as attorney and agent for Proposal Participants

Under the changes to the IOF Constitutions to be effected through the Supplemental Deeds Poll, and subject to the provision of the Proposal Consideration, on and from the Implementation Date until ILFML registers the Oxford Acquirer as the holder of the IOF Units in the IOF Register, each Proposal Participant irrevocably appoints ILFML as attorney and agent (and directs ILFML in such capacity to appoint the Oxford Acquirer and each of its directors from time to time, jointly and each of them individually) as its sole proxy, and where applicable, corporate representative, to attend unitholder meetings, exercise the votes attaching to IOF units registered in its name, and sign any unitholder resolution.

Under clause 19 of the IOF Constitutions, ILFML has the power to do all things which it considers are necessary, desirable or reasonably incidental to effect the Oxford Proposal.

8.8 Regulatory consents

a. ASX

ILFML has applied for, and ASX has granted, confirmation that it does not object to the proposed amendments to the IOF Constitutions or the Explanatory Memorandum under ASX Listing Rule 15.1.

b. ASIC

On behalf of the Oxford Acquirer, ILFML has sought, and ASIC has granted:

i. a modification to the Corporations Act to enable all Proposal Participants (other than those excluded from voting) to vote on the Proposal Resolutions pursuant to item 7 of section 611 of the Corporations Act; and

ii. an exemption from any requirement for the Oxford Acquirer to comply with Division 5A of Part 7.9 of the Corporations Act in relation to the proposed offer to acquire IOF Units under the Oxford Proposal.

ILFML has also applied for, and ASIC has granted, an exemption in favour of ILFML under Division 2 of Part 7.7 of the Corporations Act from the requirement to provide a financial services guide in connection with this Explanatory Memorandum.

8.9 Summary of First Judicial Advice

At the First Judicial Advice hearing on 6 November 2018, the Court made orders that ILFML would be justified in:

a. convening a meeting of IOF Unitholders to consider, and if thought fit, approve the Proposal Resolutions;

b. distributing the Explanatory Memorandum; and

c. proceeding on the basis that the proposed amendments to the IOF Constitutions would be within the powers of alteration conferred by section 601GC of the Corporations Act.

The Second Judicial Advice hearing is expected to take place on 5 December 2018.

8.10 Consents to be named

The following persons have given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and the context in which they are named:

a. The Oxford Acquirer

The Oxford Acquirer has given its written consent to the inclusion of the Oxford Group Information, and the references to that information in the form and context in which it is included in this Explanatory Memorandum and has not, before the date of issue of this Explanatory Memorandum, withdrawn such consent.

b. KPMG Corporate Finance as the Independent Expert

KPMG Corporate Finance as Independent Expert has given its written consent to the inclusion of the Independent Expert's Report in Schedule 2 of this Explanatory Memorandum, and references to the Independent Expert's Report in the form and context in which they are included in this Explanatory Memorandum and has not, before the date of issue of this Explanatory Memorandum, withdrawn such consent.

c. Allens in relation to the Taxation Report

Allens has prepared the Taxation Report and has given its written consent to the inclusion of that report in Section 7 of this Explanatory Memorandum and has not, before the date of issue of this Explanatory Memorandum, withdrawn such consent.

8. Additional Information

d. Link Market Services Limited as IOF's security registrar;

e. Allens as IOF's legal adviser;

f. J.P. Morgan Australia Limited as IOF's financial adviser;

g. PricewaterhouseCoopers as IOF's auditor; and

h. PricewaterhouseCoopers Securities Limited as IOF's accounting adviser.

Other than as specifically outlined above, each party referred to in this Section 8.10 has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement is based, and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

8.11 Supplementary Information

To the extent required by the Listing Rules, the Corporations Act or any other applicable law, ILFML will issue a supplementary document to this Explanatory Memorandum if it becomes aware of any of the following between the date of this Explanatory Memorandum and the date of the Meeting:

a. a material statement in this Explanatory Memorandum is or becomes false or misleading;

b. a material omission from this Explanatory Memorandum;

c. a significant change affecting a matter included in this Explanatory Memorandum; or

d. a significant new matter has arisen and it would have been required to be included in this Explanatory Memorandum if it had arisen before the date of this Explanatory Memorandum.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, ILFML may circulate and publish the supplementary document by any or all of:

a. placing an advertisement in a prominently published newspaper that is circulated in Australia;

b. posting the supplementary document on IOF's website;

c. making an announcement to ASX; or

d. issuing a supplementary document.

8.12 No other information

Other than as contained in this Explanatory Memorandum, there is no information within the knowledge of any member of the ILFML Board that is material to the making of a decision in relation to the Oxford Proposal to be voted on by IOF Unitholders, and that has not been previously disclosed to IOF Unitholders.

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Glossary and Interpretation

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9

9. Glossary and Interpretation

9.1 Definitions

In this Explanatory Memorandum unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
A-Grade	has the meaning given in the PCA's '*A Guide to Office Building Quality*', and other grades such as 'B-Grade' are similarly given the meaning given in the PCA's '*A Guide to Office Building Quality*'.
A-REIT	Australian real estate investment trust.
AJO Constitution Amendment Resolution	Resolution 3 in the Notice of Meeting and is summarised in Section 3.4 of this Explanatory Memorandum.
AJO De-Stapling Resolution	Resolution 5 in the Notice of Meeting and is summarised in Section 3.4 of this Explanatory Memorandum.
AJO Fund	Armstrong Jones Office Fund (ARSN 090 242 229).
AJO Supplemental Deed Poll	The deed poll to be entered into by ILFML amending the constitution of AJO Fund pursuant to section 601GC(1) as set out in Part A of Schedule 4 of this Explanatory Memorandum.
AJO Trust Acquisition Resolution	Resolution 1 in the Notice of Meeting and is summarised in Section 3.4 of this Explanatory Memorandum.
AJO Unit	an ordinary unit in the AJO Fund.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12 of the Corporations Act.
ASX	ASX Limited or Australian Securities Exchange, as appropriate.
ATO	the Australian Taxation Office.
bps	a unit of measure for interest rates and other percentages where one basis point is equal to 1/100th of 1%, or 0.01% (0.0001).
Blackstone	The Blackstone Group L.P. or entities which are ultimately owned and/or controlled by The Blackstone Group L.P.
Blackstone Proposal	the proposal under which it was proposed that entities affiliated with Blackstone would acquire IOF pursuant to the Blackstone SIA.
Blackstone SIA	the implementation agreement dated 12 June 2018 between ILFML and entities affiliated with The Blackstone Group L.P.
Bond Street Co-Owner Agreement	the Co-Owners Deed in respect of 20 Bond Street Sydney dated 29 July 2004 (as amended and novated from time to time).
Business Day	a day not being a Saturday, Sunday or a public holiday in Sydney, New South Wales.
Cap	the cap under clause 9.7 of the Oxford SIA where the sole and absolute liability of the Oxford Acquirer to ILFML in respect of any breach of any term of the Oxford SIA is limited to $75 million in aggregate.
Cap Rate	market capitalisation rate, being the fully leased market rental of a property divided by the property's value prior to adjustments for near term leasing and capital allowances. The weighted average is calculated as the average, determined by the proportion of each property having regard to its value relative to the total value of all properties (using the 30 June 2018 book values adjusted for the revaluation of 151 Clarence Street on 30 September 2018).

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Term	Meaning
CBD	central business district.
CGT	Australian capital gains tax.
CHESS	the Clearing House Electronic Sub-register System for the electronic transfer of securities and other financial products operated by ASX Settlement Pty Limited (ACN 008 504 532).
Competing Proposal	any actual or proposed proposal, agreement, arrangement or transaction (whether by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise), which, if entered into or completed, would mean: a. a Third Party (other than ICPF pursuant to a transaction permitted by item 9 of section 611 of the Corporations Act), either alone or together with any other person, would directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial, or economic interest in, or control of, or the right to vote, 20% or more of IOF Units; b. a Third Party (either alone or together with any other person) would: i. acquire Control of IOF; ii. directly or indirectly acquire or obtain a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part or material part of all of the business or assets of IOF; iii. otherwise directly or indirectly acquire or merge with IOF; or iv. require ILFML to abandon, or otherwise fail to proceed with, the Oxford Proposal or any part of the Proposal, and in each case, includes a variation or modification of an earlier Competing Proposal.
Conditions Precedent	the conditions to the implementation of the Oxford Proposal summarised in Sections 3.2 and 8.3 of this Explanatory Memorandum.
Constitution	as relevant, the constitutions of the AJO Fund and/or the PCP Trust.
Control	has the meaning given by section 50AA of the Corporations Act.
Controlled Entity	in relation to any Entity, another entity which is a Subsidiary of it, or which is Controlled by it.
COO	chief operating officer.
Corporations Act	the *Corporations Act 2001* (Cth).
Court	the Supreme Court of New South Wales or such other court of competent jurisdiction agreed to in writing by ILFML and the Oxford Acquirer.
Deed Poll	the Deed Poll in the form attached as Schedule 3 to this Explanatory Memorandum.
De-Stapling Resolutions	means the AJO De-Stapling Resolution and the PCP De-Stapling Resolution.
Directors	the directors of ILFML, being external directors within the meaning of section 601JA(2) of the Corporations Act, which are all of the directors listed in Section 8.
Effective	when the Oxford Proposal comes into effect, which will be when the Supplemental Deeds Poll are executed and lodged with ASIC which will be as soon as practicable after the Second Judicial Advice Date but in any event, no later than 4pm on the first Business day after that date, or such other date as ILFML and the Oxford Acquirer agree.
Effective Date	the date on which the Oxford Proposal becomes Effective (expected to be 6 December 2018).
End Date	18 April 2019 or another date agreed in writing by ILFML and the Oxford Acquirer.

9. Glossary and Interpretation

Term	Meaning
Entity	includes a natural person, a body corporate, a partnership, a trust and the trustee of a trust.
Exclusivity Period	the period from and including the date of the Oxford SIA to the earlier of: • the termination of the Oxford SIA in accordance with its terms; • the Implementation Date; or • the End Date.
Explanatory Memorandum	this explanatory memorandum, including the attachments to it.
FIRB	Foreign Investment Review Board.
First Judicial Advice	the confirmation obtained by ILFML from the Court confirming, amongst other things, that ILFML would be justified in convening the Meeting.
First Judicial Advice Date	the date on which the First Judicial Advice was received.
Funds from Operations (or FFO)	Property Council Funds from Operations defined as IOF's underlying and recurring earnings from its operations, determined by adjusting statutory net profit (under Australian equivalent to the International Financial Reporting Standards) for non-cash and other items such as the amortisation of tenant incentives and rent free periods, fair value gains/losses on investment property, fair value gains/losses on the mark to market of derivatives, the straight-lining of rent, non-FFO deferred tax benefits and expenses, foreign currency translation reserves recognised in net profit, and any other unrealised or one-off items.
FY17	2017 financial year (and the same rule applies for other financial years referred to in this Explanatory Memorandum).
George Street Co-Owner Agreement	Co-Owners' Agreement in respect of 388 George Street dated 5 November 2003 (as amended and novated from time to time).
Government Agency	any government or governmental, semi-governmental, administrative, political, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government of any country.
GST	Australian goods and services tax.
Holding Company	has the meaning given in the Corporations Act, but as if references to: a. "body corporate" were to "Entity"; and b. "subsidiaries" include Subsidiaries as defined in this document.
ICPF	the Investa Commercial Property Fund (ARSN 103 041 505) acting through its responsible entity, IWFML.
ICPF Holdings	ICPF Holdings Limited (ACN 610 989 805).
ILFML	Investa Listed Funds Management Limited (ACN 149 175 655) in its capacity as responsible entity of IOF or any replacement of it from time to time.
ILFML Board	the board of directors of ILFML or a committee of that board.
Implementation Date	the date that the Oxford Proposal is implemented, being the fifth Business Day following the Record Date or such other date as ILFML and the Oxford Acquirer agree in writing (expected to be 14 December 2018).
Independent Expert	KPMG Corporate Finance.

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Term	Meaning
Independent Expert's Report	the report in respect of the Oxford Proposal prepared and issued by the Independent Expert for inclusion in the Explanatory Memorandum (or any update or variation to that report). A copy of the Independent Expert's Report is contained in Schedule 2 of this Explanatory Memorandum.
Investa Property Group	the funds, property and asset management platform operated by IOM and its Subsidiaries.
IOF	Investa Office Fund, which comprises the AJO Fund and the PCP Trust.
IOF Constitutions	the constitutions of the AJO Fund and PCP Trust from time to time and IOF Constitution means both or either of them (as the context requires).
IOF Group	IOF and each of its and each of its Controlled Entities (which, for this purpose, is a reference to an Entity that is a Controlled Entity of ILFML by reason of the fact that ILFML is the responsible entity of IOF and ***IOF Group Member*** means any member of the IOF Group).
IOF Material Adverse Change	has the meaning given in the Oxford SIA, which is summarised below: One or more events, changes or circumstances occurring between the date of the Oxford SIA and 8am on the Second Judicial Advice Date which, whether individually or when aggregated with like events, changes or circumstances, are reasonably likely to have, a negative impact (excluding mark to market movements relating to investment properties, financial derivatives, hedge accounted interest bearing liabilities and foreign exchange rates) on the net tangible assets of IOF of at least $150 million or on recurring FFO of at least $12.5 million, other than events, changes or circumstances: a. expressly required or permitted by the Oxford SIA, the Oxford Proposal, or the transactions contemplated by either; b. done or not done at the written request or with the written acknowledgement and approval of the Oxford Acquirer; c. resulting from changes in generally accepted accounting principles; d. arising from a change in law or governmental policy; e. arising from changes in economic or business conditions or securities markets in general; or f. fairly disclosed in an announcement by ILFML to ASX or lodged in a document with ASIC, prior to the date of the Oxford SIA or in the due diligence material, including as set out in the budget for FY19 disclosed to the Oxford Acquirer, but in respect of paragraphs (c), (d), and (e), in each case excluding any change, event, occurrence, circumstance or matter which has a disproportionate adverse effect on IOF, taken as a whole as compared to other participants in the principal business segments in which IOF operates.
IOF Prescribed Occurrences	has the meaning given in the Oxford SIA, which is summarised below: a. (**conversion**) IOF converts all or any of its securities into a larger or smaller number of securities or a resolution is passed to do so; b. (**reduction of capital**) IOF reduces or resolves to reduce its capital in any way; c. (**redemption**) IOF redeems any IOF Units or resolves to redeem any IOF Units; d. (**buy back**) IOF buys back or agrees to buy back any IOF Units; e. (**issuing units or options**) IOF issues securities or grants an option over its securities, or agrees to make such an issue or grant such an option; f. (**convertible securities**) IOF issues or agrees to issue convertible notes or other security or instrument convertible into its securities; g. (**Encumbrances**) IOF creates, or agrees to create, any encumbrance over any of its business or assets;

9. Glossary and Interpretation

Term	Meaning
IOF Prescribed Occurrences *continued*	h. (**actions or events**) any member of the IOF Group (acting through its respective trustee) enters into, amends, discharges a liability under (other than in accordance with its terms and consistently with past practice), or waives any material claim under a contract, arrangement or understanding, other than: i. subject to paragraph (ii), any event, action, plan, intention or proposal: A. as set out in the its budget for FY19 as disclosed to the Oxford Acquirer; B. within the delegation authority disclosed to the Oxford Acquirer; or C. which is fairly disclosed in the due diligence materials provided to the Oxford Acquirer; ii. provided that ILFML has, prior to the relevant action, consulted with the Oxford Acquirer in good faith, in relation to anything: D. which does not fall within the disclosed delegation authority and must be referred to the ILFML Board (including all related party transactions), even where the relevant matter is provided for in the FY19 budget; or E. in relation to the properties located at 388 George Street, Sydney or 347 Kent Street, Sydney where the relevant matter is outside the valuation and feasibility work for such projects as fairly disclosed in the due diligence material provided to the Oxford Acquirer, or is a new or amended development management agreement, project management agreement or construction agreement. i. (**Co-owned Sub-Trusts**) the termination, variation, amendment, or exercise of rights by ILFML or any IOF Group Member, without the prior written consent of the Oxford Acquirer, under: i. a co-ownership or joint venture agreement in relation to a co-owned sub-trust or the property which is owned by the relevant co-owned sub-trust; or ii. the constitution of any co-owned sub-trust. j. (**Termination of contracts, arrangements or understandings**) any IOF Group Member terminates: i. any lease which, after taking into account any committed replacement lease or leases relating to the termination (assessed as at or about the time of the proposed termination): • represents greater than 2% of the gross income of the relevant property; and • does not provide a positive net present value impact on the value of the property; or ii. any supply contract, arrangement or understanding, pursuant to which the IOF Group is, or is reasonably likely to incur, a liability of more than $500,000 in any one year, other than: A. in the ordinary course of IOF's business; and B. provided that the contract, undertaking or arrangement or understanding may be terminated by IOF on no more than 30 days' notice without any penalty or payment required as a result of such termination; k. (**Arrangements with the manager**) any member of the IOF Group enters into or amends any contract or commitment (or any series of related contracts or commitments) which involve IOM, Investa Office Management Holdings Pty Ltd, Investa Asset Management Pty Ltd, Investa Asset Management (QLD) Ltd, Investa Property Group Holdings Pty Ltd or any of their Related Bodies Corporate;

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Term	Meaning
IOF Prescribed Occurrences *continued*	l. (**Insolvency**) ILFML or any member of the IOF Group or any co-owned sub trust becomes the subject of an insolvency event, other than in respect of IOF Finance Pty Ltd (ACN 099 531 585), the Belconnen Trust (ABN 38 819 083 520) or the Toorak Road Tooronga Trust (ABN 61 653 004 425); m. (**Constitution**) ILFML modifies, repeals or replaces the IOF Constitutions (or any provision of those constitutions) or the constitution of any other IOF Group Member, or the constitution of ILFML or the trustee of any IOF Group Member (or any provision of those constitutions), or a unitholder meeting is convened to consider any such modification, repeal or replacement; n. (**distributions**) IOF agrees to pay, declares, pays or makes, or incurs a liability to pay or make, a distribution of income, profits, assets or capital to any entity; o. (**Trusts**) ILFML ceases to be the responsible entity of IOF or steps are taken to remove ILFML as responsible entity of IOF, including a meeting being convened to consider a resolution for the removal, retirement or replacement of ILFML as responsible entity of IOF; p. (**indemnity**) ILFML (or its Representatives) doing or failing to do anything that could restrict ILFML's right of indemnity from the trust property of IOF in respect of the obligations incurred by ILFML under the documents to which it is a party; q. (**termination**) ILFML (or its Representatives) effects or facilitates the termination or winding up of IOF or any IOF Group Member or any co-owned sub trust; r. (**resettlement**) ILFML (or its Representatives) effects or facilitates the resettlement of the trust property of IOF; s. (**delisting and extended suspension**) IOF ceases to be admitted to the official list of ASX or IOF Units cease to be quoted by ASX or IOF is suspended from trading by ASX for a consecutive period of more than 2 weeks; t. (**deregistration**) any IOF Group Member or any co-owned sub trust becomes or takes steps to become deregistered as a registered managed investment scheme or is otherwise dissolved; u. (**financial accommodation**) any IOF Group Member enters into a new loan, advance or financing arrangement (other than with another IOF Group Member), or guarantees or indemnifies the obligations of any other person other than an IOF Group Member, or amends (or waives any right under) any existing financing arrangements; v. (**financing**) in respect of any financing arrangement, agreement or instrument which any IOF Group Member has with any person, any IOF Group Member: i. breaches any covenant or makes any misrepresentation which is not remedied in accordance with the cure rights under the arrangement, agreement or instrument; ii. relies on any waiver or amendment to avoid the potential breach of any covenant or to avoid the making of any misrepresentation or to avoid an event of default or potential event of default occurring; iii. allows an event of default or potential event of default to occur which is not remedied in accordance with the relevant cure rights under the arrangement, agreement or instrument; iv. allows an obligation to pay any amount to be accelerated; or v. permanently reduces the amount of debt ahead of a maturity date; w. (**derivative instruments**) any IOF Group Member enters into any agreement, arrangement or transaction with respect to derivative instruments or similar instruments, except foreign currency hedges or interest rate hedges made to replace existing foreign currency or interest rate hedges in the ordinary course of business consistent with past practice and in accordance with existing policy as at the date of this agreement; x. (**accounting policies**) there is a change to the existing accounting policies of IOF other than required by law or the Australian Accounting Standards;

9. Glossary and Interpretation

Term	Meaning
IOF Prescribed Occurrences ***continued***	y. (**Debt forgiveness**) any IOF Group Member and any service providers acting on their behalf waive, forgive, settle or compromise claims that they have against any other person between the date of this agreement and the Implementation Date with an aggregate value in excess of $500,000 compared to the full compensation due to IOF; z. (**Claim**) a claim is brought against any IOF Group Member or any co-owned sub trust or in respect of an IOF property (other than a frivolous or vexatious claim) which will or is likely to involve criminal and/ or non-monetary penalties; aa. (**ceases business**) IOF, ILFML or any of their Controlled Entities ceases, or threatens to cease, to carry on business; bb. (**Division 6C**) ILFML or the relevant sub-trustee approves or takes any action or makes any investment that could reasonably result in IOF or any member of the IOF Group commencing to carry on a trading business within the meaning of Division 6C of the *Income Tax Assessment Act 1936* (Cth) or controlling or having the ability to control, directly or indirectly the affairs or operations of another person in respect of the carrying on by that other person of a trading business (within the meaning of that Division); and cc. (**resolutions**) ILFML or its Representatives or any IOF Group Member (acting through its respective trustee) agrees or resolves to any of the foregoing, provided that an IOF Prescribed Occurrence will not include a matter: i. that is required to be undertaken or procured by pursuant to, or otherwise as contemplated by, the Oxford SIA, the Supplemental Deed or the Deed Poll; ii. with the exception of (c) and (d) above, to the extent that it was fairly disclosed to the Oxford Acquirer in the due diligence material or in announcements to ASX made by IOF, prior to the Implementation Date; iii. approved in writing by the Oxford Acquirer; or iv. where ILFML has first consulted with Oxford in relation to the matter and Oxford has approved the matter or has not objected to the matter within 5 Business Days of having been so consulted.
IOF Register	the register of IOF Unitholders of IOF maintained by the IOF Registry in accordance with the Corporations Act.
IOF Registry	Link Market Services Limited (ACN 083 214 537).
IOF Unit	a stapled security in IOF consisting of one unit in the AJO Fund and one unit in the PCP Trust.
IOF Unitholder	each person who is registered as the holder of an IOF Unit in the IOF Register (at the relevant time).
IOM	Investa Office Management Pty Limited (ACN 161 354 016).
IWFML	Investa Wholesale Funds Management Limited (ACN 149 681 390).
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Limited (ACN 007 363 215).
Last Practicable Trading Date	31 October 2018, being the last practicable trading date before the date of this Explanatory Memorandum.
Listing Rules	the official listing rules of ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.
Meeting	the extraordinary general meeting of IOF Unitholders convened by the Notice of Meeting attached to this Explanatory Memorandum.

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Term	Meaning
Net Lettable Area (or NLA)	total lettable floor area less common areas, in square metres.
Notice of Meeting	the notices of meeting relating to the Proposal Resolutions which is contained in Schedule 1.
NTA	net tangible asset value per security.
OMERS	OMERS Administration Corporation.
OMERS Pension Plans	The OMERS Pension Plans as defined in the Ontario Municipal Employees Retirement System Act, 2006.
Oxford	Oxford Properties Group, the real estate arm of OMERS.
Oxford Acquirer	as the context requires, Oxford AJO Bid Trust and/or Oxford PCP Bid Trust (in each case, acting through their respective trustees).
Oxford AJO Bid Trust	Glencoe Bid Trust, the trustee of which is the Oxford AJO Bid Trustee.
Oxford AJO Bid Trustee	OPG TC II Pty Ltd (ACN 629 426 231)
Oxford PCP Bid Trust	Barnes Bid Trust, the trustee of which is the Oxford PCP Bid Trustee.
Oxford PCP Bid Trustee	OPG TC I Pty Ltd (ACN 629 426 259)
Oxford Group	each Oxford Acquirer and its Related Bodies Corporate.
Oxford Group Information	the information provided by the Oxford Acquirer for inclusion in this Explanatory Memorandum and for which the Oxford Acquirer is responsible, being Rows 24, 25, 26, 27, 31, and 38 (to the extent relating to the intentions of the Oxford Acquirer) of Section 1, Section 5, references to the awareness of the Oxford Acquirer in relation to the status of the Conditions Precedent in Section 8.3, the definitions of OMERS and Oxford in Section 9, and any references to such information above in the form and context in which they are included in this Explanatory Memorandum.
Oxford Group Member	a member of the Oxford Group.
Oxford Proposal	the arrangement, the detailed terms of which are substantially set out in the Explanatory Memorandum, under which the Oxford Acquirer acquires all of the IOF Units from the Proposal Participants by way of a trust scheme to be implemented in accordance with Guidance Note 15, facilitated by the de-stapling of IOF units, amendments to the IOF Constitutions and a resolution pursuant to section 611 item 7 of the Corporations Act.
Oxford SIA	the implementation agreement dated 18 October 2018 between ILFML and the Oxford Acquirer relating to the implementation of the Oxford Proposal and summarised in Section 8.3 of this Explanatory Memorandum.
PCA	Property Council of Australia.
PCP Constitution Amendment Resolution	Resolution 4 in the Notice of Meeting and is summarised in Section 3.4 of this Explanatory Memorandum.
PCP De-Stapling Resolution	Resolution 6 in the Notice of Meeting and is summarised in Section 3.4 of this Explanatory Memorandum.
PCP Supplemental Deed Poll	the deed poll to be entered into by ILFML amending the constitution of PCP Trust pursuant to section 601GC(1) as set out in Part B of Schedule 4 of this Explanatory Memorandum.
PCP Trust	Prime Credit Property Trust (ARSN 089 849 196).

9. Glossary and Interpretation

Term	Meaning
PCP Trust Acquisition Resolution	Resolution 2 in the Notice of Meeting and is summarised in Section 3.4 of this Explanatory Memorandum.
PCP Unit	an ordinary unit in the PCP Trust.
Premium Grade	has the meaning given in the PCA's '*A Guide to Office Building Quality*'.
Pro Forma NTA	the pro forma NTA as at 30 June 2018 of $5.47 per IOF Unit, being the NTA as at 30 June 2018 (as set out in IOF's audited financial statements for the full year ended 30 June 2018) of $5.48 per IOF Unit, adjusted as described in Section 4.6.
Proposal Consideration	for every IOF Unit, the cash payment of $5.60.
Proposal Participants	each person who is an IOF Unitholder at the Record Date.
Proposal Resolutions	the resolutions to be considered at the Meeting, as set out in the Notice of Meeting.
Proxy Form	the proxy form for the Meeting accompanying this Explanatory Memorandum.
Record Date	7.00pm on the fifth Business Day following the Effective Date, or such other date as agreed between the Oxford Acquirer and ILFML (expected to be 10 December 2018).
REIT	real estate investment trust.
Related Body Corporate	has the meaning given in the Corporations Act, but as if references to: a. "body corporate" and "body" were to "Entity"; b. "subsidiary" includes Subsidiaries as defined in this document; and c. "holding company" includes Holding Companies as defined in this document.
Relevant Foreign Resident Declaration Form	the form to be sent with or following this Explanatory Memorandum to each IOF Unitholder which the Oxford Acquirer has determined is a 'relevant foreign resident'.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	in relation to a person, means: a. a Controlled Entity of the person; or b. an officer of the person or any of the person's Controlled Entities; or c. an adviser to the person or the person's Controlled Entities.
Return on Equity	calculated as (Change in NTA + total distributions declared)/opening NTA for the relevant period, with returns being annualised.
S&P	Standard & Poor's.
S&P/ASX 100 Index	S&P's index of the largest 100 vehicles listed on ASX by market capitalisation.
Second Judicial Advice	the confirmation obtained by ILFML from the Court confirming, amongst other things, that ILFML would be justified in proceeding to implement the Oxford Proposal.
Second Judicial Advice Date	the date on which the Second Judicial Advice is obtained (expected to be 5 December 2018).
sqm	square metre.
Stapling	the stapling of units in two or more separate trusts so that those may not be traded separately and are quoted together on ASX.

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Term	Meaning
Subsidiary	has the meaning given in the Corporations Act, but an Entity will also be taken to be a Subsidiary of an Entity if it is Controlled by that Entity and, without limitation: a. a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; b. an Entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and c. where a trust is a Subsidiary, the trustee of that trust (acting in that capacity) will also be a Subsidiary.
Superior Proposal	a bona fide written Competing Proposal that the ILFML Board, acting in good faith and after taking advice from its legal and financial advisors, determines is: a. reasonably capable of being completed, including its conditions; and b. of a higher financial value and is more favourable to IOF Unitholders than the Oxford Proposal, in each case, taking into account all aspects of the Competing Proposal, including the terms and conditions of the Competing Proposal, the price and/or financial value of the Competing Proposal, timing considerations and any other matters relevant to the Competing Proposal being contemplated (including the identity, expertise, reputation, and financial condition of the person making such proposal and legal, regulatory, and financial matters).
Supplemental Deed Poll	the AJO Supplemental Deed Poll and/or the PCP Supplemental Deed Poll.
Taxation Report	the report prepared by Allens dated 6 November 2018 set out in Section 7 of this Explanatory Memorandum.
Third Party	means any of the following: a. a person other than an Oxford Acquirer Group Member; or b. a consortium, partnership, limited partnership, syndicate, trust or other group in which no Oxford Acquirer Group Member has agreed to be a participant.
Trust Account	the trust account nominated by ILFML, the details of which must be notified in writing to the Oxford Acquirer at least 10 Business Days before the Implementation Date.
Trust Acquisition Resolutions	means the AJO Trust Acquisition Resolution and the PCP Trust Acquisition Resolution.
Trust Constitution Amendment Resolutions	means the AJO Constitution Amendment Resolution and the PCP Constitution Amendment Resolution.
USPP	US private placement.
Voting Record Date	the time and date for determining eligibility to vote at the Meeting (expected to be 7pm, 2 December 2018).
VWAP	volume weighted average price.
WALE	weighted average lease expiry.

9. Glossary and Interpretation

9.2 Interpretation

In this Explanatory Memorandum, unless the context otherwise appears:

a. words and phrases have the same meaning (if any) given to them in the Corporations Act;

b. words importing a gender include any gender;

c. words importing the singular include the plural and vice versa;

d. an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

e. a reference to a clause, attachment or schedule is a reference to a clause of and an attachment and schedule to this Explanatory Memorandum as relevant;

f. a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

g. headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Memorandum;

h. a reference to time is a reference to time in Sydney, Australia;

i. a reference to writing includes electronic and digital communications; and

j. a reference to dollars, $, A$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

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Notice of Meeting

Schedule

1

Schedule 1. Notice of Meeting

Investa Office Fund comprising Armstrong Jones Office Fund (ARSN 090 242 229) and Prime Credit Property Trust (ARSN 089 849 196)

Investa Listed Funds Management Limited (ACN 149 175 655) (***ILFML***) as responsible entity of Armstrong Jones Office Fund (ARSN 090 242 229) (***AJO Fund***) and Prime Credit Property Trust (ARSN 089 849 196) (***PCP Trust***) hereby gives notice that a meeting of the unitholders of AJO Fund and PCP Trust will be held concurrently at:

Time: 2.30pm (Sydney time)

Date: 4 December 2018

Place: Westin Hotel, Heritage Ballroom, 1 Martin Place, Sydney

1 Business of the meeting

Capitalised terms used but not defined in this Notice of Meeting have the meaning given in the Explanatory Memorandum accompanying, and forming part of, this Notice of Meeting.

The business to be considered at the concurrently held meetings is to consider, and if thought fit, to pass the following resolutions of members of the AJO Fund and PCP Trust (as applicable).

2 Proposal Resolutions

2.1 Resolution 1 AJO Trust Acquisition Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution of the members of the AJO Fund:

"That, subject to and conditional on all other resolutions set out in the notice convening this meeting being passed, for the purposes of item 7, section 611 of the Corporations Act 2001 (Cth) and for all other purposes:

a. *the acquisition of all units on issue in Armstrong Jones Office Fund (ARSN 090 242 229) (the **AJO Fund**) by OPG TC II Pty Ltd (ACN 629 426 231) as trustee for the Glencoe Bid Trust and OPG TC I Pty Ltd (ACN 629 426 259) as trustee for the Barnes Bid Trust (the **Acquisition**), be approved; and*

b. *ILFML, as responsible entity of the AJO Fund, be authorised to do all things which it considers necessary, desirable, or reasonably incidental to give effect to the Acquisition."*

2.2 Resolution 2 PCP Trust Acquisition Resolution

"That, subject to and conditional on all other resolutions set out in the notice convening this meeting being passed, for the purposes of item 7, section 611 of the Corporations Act 2001 (Cth) and for all other purposes:

a. *the acquisition of all units on issue in Prime Credit Property Trust (ARSN 089 849 196) (the **PCP Trust**) by OPG TC II Pty Ltd (ACN 629 426 231) as trustee for the Glencoe Bid Trust and OPG TC I Pty Ltd (ACN 629 426 259) as trustee for the Barnes Bid Trust (the **Acquisition**), be approved; and*

b. *ILFML, as responsible entity of the PCP Trust, be authorised to do all things which it considers necessary, desirable, or reasonably incidental to give effect to the Acquisition."*

2.3 Resolution 3 AJO Trust Constitution Amendment Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution of the members of the AJO Fund:

"That, subject to and conditional on all other resolutions set out in the notice convening this meeting being passed:

a. *the constitution of the AJO Fund be modified as set out in the Supplemental Deed tabled at this meeting and initialled by the Chairman for the purposes of identification (**AJO Supplemental Deed Poll**), with effect from the date on which the AJO Supplemental Deed Poll is lodged with the Australian Securities and Investments Commission (**ASIC**) in accordance with section 601GC(2) of the Corporations Act 2001 (Cth); and*

b. *ILFML as responsible entity of IOF, be authorised to execute and lodge with ASIC, the AJO Supplemental Deed Poll.*

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2.4 Resolution 4 PCP Trust Constitution Amendment Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution of the members of the PCP Trust:

"That, subject to and conditional on all other resolutions set out in the notice convening this meeting being passed:

a. *the constitution of the PCP Trust be modified as set out in the Supplemental Deed tabled at this meeting and initialled by the Chairman for the purposes of identification (**PCP Supplemental Deed Poll**), with effect from the date on which the PCP Supplemental Deed Poll is lodged with the Australian Securities and Investments Commission (**ASIC**) in accordance with section 601GC(2) of the Corporations Act 2001 (Cth); and*

b. *ILFML as responsible entity of IOF, be authorised to execute and lodge with ASIC, the PCP Supplemental Deed Poll.*

2.5 Resolution 5 AJO De-Stapling Resolution

To consider, and if thought fit, to pass the following resolution as special resolution of the members of the AJO Fund.

"That, subject to and conditional on all other resolutions set out in the notice convening this meeting, for the purposes of clause 20.5 of the constitution of the AJO Fund:

a. *the units in the AJO Fund cease to be stapled to units in the PCP Trust; and*

b. *ILFML, as the responsible entity of the AJO Fund, be authorised to determine that the stapling provisions in the constitution of the AJO Fund will cease to apply and that a particular date is to be the unstapling date."*

2.6 Resolution 6 PCP De-Stapling Resolution

To consider, and if thought fit, to pass the following resolution as special resolution of the members of the PCP Trust.

"That, subject to and conditional on all other resolutions set out in the notice convening this meeting, for the purposes of clause 20.5 of the constitution of the PCP Trust:

a. *the units in the PCP Trust cease to be stapled to units in the AJO Fund; and*

b. *ILFML, as the responsible entity of the PCP Trust, be authorised to determine that the stapling provisions in the constitution of the PCP Trust will cease to apply and that a particular date is to be the unstapling date."*

3 Reasons for the Oxford Proposal

The Proposal Resolutions should be read in conjunction with the Explanatory Memorandum which sets out a detailed explanation of the reasons for the Oxford Proposal.

4 Eligibility to vote

Subject to the voting exclusions outlined below in Section 5, IOF Unitholders registered as holders of IOF Units in each of AJO Fund the PCP Trust as at 7pm on 2 December 2018 will be entitled to attend and vote at the Meeting.

Accordingly, transfers of IOF Units registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

5 Majorities required

For the Proposal Resolutions to be approved:

a. The **Trust Acquisition Resolutions** must be passed by at least 50% of the total number of votes cast on the resolutions by IOF Unitholders entitled to vote on the resolutions at the Meeting. For the purposes of this Proposal Resolution:
   - In accordance with item 7, section 611 of the Corporations Act, the Oxford Acquirer and its Associates must not cast any votes in favour of these resolutions.
   - In accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF.

b. The **Trust Constitution Amendment Resolutions** must each be passed by at least 75% of the total number of votes cast on the relevant resolution by IOF Unitholders entitled to vote on the resolution at the Meeting. For the purposes of these Proposal Resolutions, in accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF. In addition, in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of these Proposal Resolutions by the Oxford Acquirer or its Associates will be disregarded.

Schedule 1. Notice of Meeting

c. The **De-Stapling Resolutions** must each be passed by at least 75% of the total number of votes cast on the relevant resolution by IOF Unitholders entitled to vote on the resolutions at the Meeting. For the purposes of these Proposal Resolutions, in accordance with section 253E of the Corporations Act, ILFML and its Associates are not entitled to vote their interests if they have an interest in the resolutions other than as a member of IOF. In addition, in accordance with Takeovers Panel Guidance Note 15, any votes cast in favour of these Proposal Resolutions by the Oxford Acquirer or its Associates will be disregarded.

Voting will be conducted by poll.

6 Voting

6.1 Voting in person

To vote in person at the Meeting, IOF Unitholders must attend the Meeting in person. An IOF Unitholder entitled to attend and vote at the Meeting will be admitted to the Meeting upon providing evidence of their name and address at the point of entry to the Meeting. Registration for the Meeting commences at 2.00pm (Sydney time).

6.2 Voting by proxy

a. Each IOF Unitholder entitled to attend and vote has a right to appoint a proxy, and you may appoint the Chairman of the Meeting as your proxy.

b. If an IOF Unitholder appoints two proxies, the IOF Unitholder may specify the proportion or number of votes each proxy holder is entitled to exercise. Where two proxies are appointed and the appointment does not specify the proportion or number of the IOF Unitholder's votes, each proxy may exercise half of the votes.

c. A proxy need not be a IOF Unitholder.

d. The Proxy Form, which accompanies this Notice of Meeting, includes instructions on how to vote and appoint a proxy.

e. If you have previously submitted a proxy form in connection with the Blackstone Proposal, that form will not be valid in connection with the Oxford Proposal. In order to cast a valid vote on the proposed resolutions for the Oxford Proposal, you must complete and return a new proxy form to the IOF Registry in paragraph (h) below.

f. The Chairman intends to vote all undirected proxies in favour of the Proposal Resolutions.

g. To ensure that all IOF Unitholders can exercise their right to vote on the Proposal Resolutions, a Proxy Form is enclosed together with a reply paid envelope.

h. In order to be valid, Proxy Forms should be completed and received no later than 2.30pm on 2 December 2018. The Proxy Form can be lodged using the reply paid envelope or:

Mail
Investa Office Fund
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

Fax
Fax: +61 2 9287 0309

By hand
Investa Office Fund
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 Australia

i. **Power of Attorney**: to sign the Proxy Form under power of attorney you must lodge the power of attorney with IOF's registry, Link Market Services Limited. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to your Proxy Form when you return it.

j. **Companies**: where the company has a sole director who is also the sole company secretary, the Proxy Form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone.

k. Otherwise the Proxy Form must be signed by a director with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

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6.3 Voting by attorney

You may appoint an attorney to attend and vote at the Meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by ILFML at its registered office by 2.30pm, 2 December 2018, unless it has been previously provided to ILFML.

6.4 Voting by corporate representative

a. IOF Unitholders who are bodies corporate may have a corporate representative attend and vote at the Meeting on their behalf. The appointment must comply with section 253B of the Corporations Act. Persons attending the Meeting as a corporate representative should bring to the Meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

b. If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission to the Meeting. A form of the certificate may be obtained from IOF's registry, Link Market Services Limited. If such evidence is not received, then the representative will not be permitted to act as a representative at the Meeting.

By order of the Board of Investa Listed Funds Management Limited as responsible entity of each of Armstrong Jones Office Fund and Prime Credit Property Trust.

Company Secretary
INVESTA LISTED FUNDS MANAGEMENT LIMITED

6 November 2018

Independent Expert's Report

Schedule

2

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KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Level 38 Tower Three
300 Barangaroo Avenue
Sydney NSW 2000

P O Box H67 Australia Square
Sydney NSW 1213
Australia

ABN: 43 007 363 215
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

The Directors
Investa Listed Funds Management Limited as responsible entity for Investa Office Fund
Level 30
420 George Street
SYDNEY NSW 2000

For the attention of the Directors

6 November 2018

Dear Directors

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

On 12 June 2018, Investa Listed Funds Management Limited (ILFML), as responsible entity of Investa Office Fund (IOF), entered into a scheme implementation agreement (Blackstone SIA) with an affiliate of Quartz BidCo Pty Ltd and Quartz Sub TC Pty Ltd as trustee of the Quartz Bid Trust (together, Blackstone) in relation to a proposal (the Blackstone Proposal) for the acquisition of all the units in IOF (IOF Units) by way of a trust scheme. The cash consideration under the Blackstone Proposal was $5.1485 per IOF Unit (after taking into account the 10.15 cent per IOF Unit declared distribution that IOF Unitholders received on 27 August 2018). Subsequently, on 6 September 2018, ILFML announced that Blackstone was prepared to increase the consideration to $5.52[1] per IOF Unit (Increased Price) subject to a number of conditions, including that the Blackstone Proposal was voted on by IOF Unitholders on or before 17 September 2018.

However, prior to the IOF Unitholder meeting ILFML received an unsolicited, non-binding, indicative and conditional proposal from Oxford Properties Group (Oxford), for a cash consideration of $5.60 per IOF Unit[2] subject to confirmatory due diligence. As a consequence ILFML adjourned the IOF Unitholder meeting and Oxford were given a four week period to conduct due diligence and formulate a binding proposal.

[1] Taking into account the 10.15 cent per IOF Unit declared distribution that IOF Unitholders received on 27 August 2018. Reduced by any distribution declared or paid on or after 5 September 2018.
[2] Less distributions declared or paid on or after 13 September 2018.

KPMG Financial Advisory Services (Australia) Pty Ltd is an affiliate of KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Schedule 2. Independent Expert's Report

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6 November 2018

On 12 October 2018, Oxford submitted a binding proposal to acquire all the units in IOF for the cash consideration previously indicated of $5.60 per IOF Unit[2], (Oxford Proposal Consideration) subject to execution of a scheme implementation agreement and the unanimous recommendation of the Directors of ILFML (Directors) (Oxford Proposal).

Subsequently, on 18 October 2018, ILFML announced that Blackstone had advised that it would not provide a matching or superior offer to the Oxford Proposal. As a result, the ILFML Board withdrew its recommendation for the Blackstone Proposal, terminated the Blackstone SIA, paid a break fee of approximately $32 million to Blackstone and entered into a scheme implementation agreement (Oxford SIA) in relation to the Oxford Proposal.

IOF comprises the stapled entities Armstrong Jones Office Fund (AJO Fund) and Prime Credit Property Trust (PCP Trust). The responsible entity of IOF is ILFML, a wholly owned subsidiary of Investa Office Management Pty Ltd (IOM). Currently, ILFML, as responsible entity of IOF, has engaged IOM to act as the manager of IOF pursuant to an Amended and Restated Management Deed dated 21 September 2017 to provide IOF with asset, portfolio and capital management services. IOM is ultimately owned 50% by each of ICPF and Macquarie Group Limited (Macquarie).

IOF is an Australian real estate investment trust (A-REIT) listed on the Australian Securities Exchange (ASX). It had a market capitalisation of $2.8 billion[3] as at 25 May 2018, the last trading day before the announcement of the Blackstone Proposal. IOF is the owner of investment grade office buildings that are primarily located in the Sydney and North Sydney central business districts (CBDs), as well as Brisbane and Melbourne CBDs, which are predominantly tenanted by government and blue chip clients. Based on the 30 June 2018 pro forma financial position, IOF had total property assets of approximately $4.4 billion.

IOF is proposed to be acquired by OPG TC II Pty Ltd as trustee for the Glencoe Bid Trust (Oxford AJO Bid Trust) and OPG TC I Pty Ltd as trustee for the Barnes Bid Trust (Oxford PCP Bid Trust) (together the Oxford Acquirer). Each Oxford Acquirer is a newly-established Australian entity, which is ultimately owned OMERS Administration Corporation (OMERS). OMERS is one of Canada's largest pension plans with net assets of approximately C$95 billion. Oxford is the real estate arm of OMERS and has global assets under management of C$48 billion. Associates of the Oxford Acquirer currently hold 19.9973% of IOF Units.

The Oxford Proposal is described more fully in Section 5 of this report and Section 3 of the Notice of Meeting and Explanatory Memorandum (Explanatory Memorandum).

On, or about, 6 December 2018, a Scheme Meeting[4] will be held to consider and vote on the Oxford Proposal. IOF Unitholders will be entitled to attend and vote on the resolutions to implement the Oxford Proposal. The resolutions are comprised of a number of ordinary and special resolutions (Scheme Resolutions). An ordinary resolution may only be passed by at least 50% of votes cast by IOF Unitholders, in person or by proxy, entitled to vote on such resolutions. A special resolution may only be passed by at least 75% of the votes cast by IOF Unitholders, in person or by proxy, entitled to vote on such resolutions. The Oxford Proposal will only proceed if the requisite majorities for the resolutions are met by IOF Unitholders, voting either in person or by proxy at the Scheme Meeting. The implementation date for the Oxford Proposal is expected to be 14 December 2018.

The Directors have stated that they unanimously recommend that IOF Unitholders vote in favour of the Oxford Proposal in the absence of a superior proposal and intend to vote all the IOF Units they hold or control in favour of the Oxford Proposal, in the absence of a superior proposal.

In order to assist IOF Unitholders in assessing the Oxford Proposal, the Directors of ILFML, as the responsible entity of IOF, have appointed KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an Independent

[3] Calculated as closing price on 25 May 2018 of $4.63 multiplied by 598,418,985 IOF Units on issue.
[4] The extraordinary general meeting of IOF Unitholders convened by the notice of meeting accompanying the Explanatory Memorandum.

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Expert's Report (IER) setting out whether, in our opinion, the Oxford Proposal is in the best interests of IOF Unitholders.

This report sets out KPMG Corporate Finance's opinion as to the merits or otherwise of the Oxford Proposal and will be included in the Explanatory Memorandum to be sent to IOF Unitholders.

Further information regarding KPMG Corporate Finance, as it pertains to the preparation of this report, is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Scope of Report

The Oxford Proposal is to be implemented via trust schemes in respect of the AJO Fund and PCP Trust. There is no specific statutory framework for a trust scheme as there is for a Scheme of Arrangement between companies and their members. As such, the Takeovers Panel has issued Guidance Note 15 (Guidance Note) outlining the recommended procedures for a trust scheme. The Guidance Note suggests that a notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable, and therefore consistent with determining whether it is in the best interests of the members.

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investments Commission (ASIC) in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (RG 111) which outlines the principles and matters which it expects a person preparing an IER to consider when providing an opinion on whether a transaction is "fair and reasonable, and therefore in the best interests" of IOF Unitholders. Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this report.

3 Summary of opinion

In our opinion, the Scheme is **in the best interests of IOF Unitholders in the absence of a superior proposal**.

In arriving at this opinion, **we have assessed the Scheme to be fair and reasonable and, in accordance with RG 111, in the best interests of IOF Unitholders**. Our analysis considers:

- fairness, by comparing the Oxford Proposal Consideration to our assessed value of an IOF Unit on a controlling interest basis, and
- reasonableness, by assessing the implications of the Scheme for IOF Unitholders, the alternatives to the Scheme which are available to IOF and the consequences for IOF Unitholders of not approving the Scheme.

The principal matters we have taken into consideration in forming this opinion are summarised below.

Assessment of fairness

Our valuation of an IOF Unit is based on the net assets methodology. The net assets methodology is appropriate for IOF as its value lies in its underlying properties and not the ongoing operations of the trusts. The values derived from a net asset approach are on a controlling basis, which is consistent with the requirements of RG 111. In addition, we have taken into account cost savings that would generally be available to a pool of purchasers. We have not taken into account other potential synergies available to a particular acquirer.

The values derived from a net assets approach are not necessarily consistent with the prices at which IOF Units are expected to trade on the sharemarket. The prices at which IOF Units trade on the sharemarket reflect minority parcels of IOF Units and will also reflect expectations as to the level of distributions.

We have assessed the value of an IOF Unit to be in the range $5.49 to $5.52. The range of values is extremely narrow (0.5%), reflecting that the property values, which comprise a majority of the value, represent the pro forma book value of the properties at 30 June 2018 (including the impact of the 31 May

Schedule 2. Independent Expert's Report

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2018 property valuations and revaluation of the recently redeveloped 151 Clarence Street, Sydney, at 30 September 2018).

As the Oxford Proposal Consideration of $5.60 per IOF Unit exceeds our assessed value range for an IOF Unit, we consider the Scheme is **fair. As the Scheme is fair, this means that the Scheme is reasonable**.

Our analysis of the fairness of the Scheme is detailed further in Section 3.1 of this report.

Assessment of reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, this means that the Scheme is reasonable. However, we have also considered a range of other factors IOF Unitholders may wish to take into account in considering whether to approve the Scheme. These include:

- the Oxford Proposal Consideration represents a 2.2% premium to pro forma NTA at 30 June 2018 of $5.48 and a substantial premium (26.1% to 28.7%) to the trading price of IOF Units over a one month, three month and six month period prior to the announcement of the Blackstone Proposal
- the Oxford Proposal Consideration is in cash and allows IOF Unitholders to immediately realise value from their investment at a price that includes a premium for control. It provides certainty as to the pre-tax amount they will receive
- IOF Unitholders will no longer be exposed to the risks to which IOF is exposed, in particular re-letting risk whereby 15% of the portfolio is off lease in FY19 in addition to the current 4.9% vacancy[5]. A further 7% of the development property remains to be let. The property valuations assume that releasing occurs at a high point in the property cycle
- in the absence of the Oxford Proposal or a superior proposal, the IOF Unit price is likely to fall. In the three months prior to the announcement of the Blackstone Proposal, IOF Units traded at a discount in the range of 6.5% to 16.2% to NTA at 31 December 2017, at an average discount of 12.4%. In particular, IOF's near term Funds from Operations (FFO)[6] growth is negative and distribution growth is limited as a result of its development activities and repositioning of key assets, which effectively places a cap on the IOF Unit price. The Oxford Proposal Consideration implies a very low yield (3.6%) which is unlikely to be replicated in the trading price in the short-term in the absence of the Oxford Proposal or a superior proposal, and
- no superior proposal has emerged since the announcement of the Oxford Proposal and Blackstone has advised that it would not provide a matching or superior offer to the Oxford Proposal. In addition, the length of time that has elapsed since Blackstone's initial proposal and Oxford's 19.9973% interest in IOF, in our view, reduce the likelihood that a superior proposal will emerge. It is open for IOF Unitholders to vote against the Oxford Proposal in the expectation that the IOF Unit price will increase in the future as property valuations continue to increase, however, future growth is not certain. Furthermore, IOF's Unit price is influenced by other factors such as distribution yields (noting that IOF's distributions are expected to be constrained over the next two years). A wind up of the portfolio is unlikely to realise a return to IOF Unitholders in excess of the cash payment under the Oxford Proposal. Sale of the portfolio and the distribution of the net proceeds would involve costs and risks and could be lengthy.

IOF Unitholders should also consider the general tax implications associated with the Scheme, the number of conditions which, if not satisfied, will result in the Scheme not being implemented and the transaction costs (including the $32 million break fee payable to Blackstone) that will have been incurred irrespective of whether the Scheme is implemented.

Our analysis of the reasonableness of the Scheme is detailed further in Section 3.2.

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[5] As at 30 September 2018.

[6] Property Council FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in December 2017.

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6 November 2018

The decision of whether or not to approve the Scheme is a matter for individual IOF Unitholders based on their views as to value, expectations about future market conditions and their particular circumstances including their investment strategy and portfolio, risk profile and tax position. If in doubt, IOF Unitholders should consult their own professional adviser regarding the action they should take in relation to the Scheme.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of the attached report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 6.3 of our report.

3.1 The Scheme is fair

Our valuation of an IOF Unit is based on the net assets methodology. A-REITs, particularly those which passively hold portfolios of properties, are commonly valued with reference to net asset values. Property investments are reflected on the balance sheet at market value based on property valuations provided by property valuation specialists. When valuing A-REITs, it is general market practice for independent experts to adopt this market value in their assessment of adjusted NTA.

We have assessed an adjusted NTA for IOF in the range of $5.49 to $5.52 per IOF Unit. This estimate is based on IOF's pro forma NTA as at 30 June 2018 of $3,278.8 million ($5.48 per IOF Unit[7]). Various adjustments have been made to derive an adjusted NTA per IOF Unit as summarised in the following table.

Table 1: Valuation of IOF Units

$ million unless otherwise stated	Section Reference	Low	High
FY18 Pro forma NTA	8.3	**3,278.8**	**3,278.8**
Estimated earnings from 1 July 2018 to 14 December 2018	8.4	59.8	59.8
Capitalised corporate overheads (net of savings)	8.5	(49.8)	(29.5)
Capitalised borrowing costs as at 30 June 2018	8.6	(3.8)	(3.8)
Adjusted NTA		**3,285.0**	**3,305.3**
IOF Units on issue (million)		598.4	598.4
Adjusted NTA per IOF Unit (excluding premium)		**$5.49**	**$5.52**
Premium to adjusted NTA	8.7	-	-
Adjusted NTA per IOF Unit (including premium)		**$5.49**	**$5.52**

Source: KPMG Corporate Finance analysis.
Notes: Table may not add due to rounding.

The range of values is narrow, reflecting that property values, which comprise a majority of the value, represent the pro forma book value of the properties at 30 June 2018 (including the impact of the 31 May 2018 property valuations and revaluation of the recently redeveloped 151 Clarence Street, Sydney, at 30 September 2018).

The pro forma 30 June 2018 NTA includes a number of adjustments as set out in Section 4.6(c) of the Explanatory Memorandum and Section 7.8 of this report, including:

- the sale of 836 Wellington Street, Perth
- capital expenditure associated with and revaluation of 151 Clarence Street, Sydney
- payment of the distribution for the six months ended 30 June 2018
- fair value movements related to derivatives and the USPP, and
- payment of transaction costs that will be incurred post 30 June 2018 regardless of whether the Transaction proceeds (including the $32.0 million break fee payable to Blackstone).

[7] Calculated as pro forma NTA as at 30 June 2018 of $3,278.8 million divided by 598,418,985 IOF Units on issue.

Schedule 2. Independent Expert's Report

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6 November 2018

All properties were independently valued at 31 May 2018, resulting in a $316.1 million (7.9%) uplift in the carrying value of the portfolio from 31 May 2018. The pro forma NTA as at 30 June 2018 is based on book values for each of IOF's properties which reflect valuations undertaken by independent valuers plus capital expenditure and payments for incentives and leasing fees (net of amortisation) from 31 May 2018 until 30 June 2018.

ILFML internally reviewed the valuation of its entire portfolio as at 30 September 2018 and determined that since 31 May 2018, other than 151 Clarence Street, which reached practical completion in early October 2018 and for which new leases had been entered into, it was unlikely that the valuation of properties in the portfolio had moved by a material amount to the current carrying value. 151 Clarence Street, Sydney, was independently valued as at 30 September 2018. This resulted in an 11.0% (or $42.2 million) increase to the carrying value of the asset as at 30 September 2018 (an increase of 1.0% (7 cents) in NTA per IOF Unit) as a result of the release of the remaining development profit and a tightening of the capitalisation rate as anticipated to 4.75%.

We have reviewed a selection of these valuations, taking into account the nature and quality of IOF's property portfolio and associated risks and the outlook for the A-REIT industry and the office property sector. We have also considered whether the 31 May 2018 property valuations remain appropriate taking into account that approximately five months has elapsed since 31 May 2018. In this regard:

- we are not aware of any changes in industry conditions (e.g. vacancy rates, rental growth) that would result in a different view on value
- we are not aware of any leasing activity that would cause valuers to arrive at a different valuation (other than 151 Clarence Street, Sydney, which was revalued at 30 September 2018), and
- we are not aware of any new property transactions since 31 May 2018 that suggest different valuation metrics are appropriate.

The following adjustments were made to the pro forma NTA as at 30 June 2018:

- pro forma NTA as at 30 June 2018 does not reflect retained earnings for the period from 1 July 2018 until the implementation date (14 December 2018). Furthermore, IOF Unitholders are entitled to distributions accrued over this period, however, the Oxford Proposal Consideration is in cash and does not make an allowance for distributions accrued in this period. It is appropriate to add estimated operating earnings from 1 July 2018 until the implementation date to pro forma NTA as at 30 June 2018. In the Explanatory Memorandum, IOF Management confirmed FFO guidance for FY19 of 29.2 cents per IOF Unit. An adjustment of $59.8 million[8] has been made to pro forma NTA as at 30 June 2018 to reflect operating earnings over this period
- NTA does not reflect the cost structure associated with being a listed investment vehicle. Corporate overheads are a cost of IOF's operating structure and include responsible entity fees, listed entity costs and other trust expenses. It is estimated that in FY19, IOF will incur responsible entity fees of $15.7 million and other expenses of $2.7 million (i.e. a total of $18.4 million).

  There are a number of potential acquirers of 100% of IOF that have existing property funds management platform in Australia[9] and which could likely save a substantial share of responsibility entity fees, trust expenses and listing costs. Acquirers in recent transactions have generally[10] estimated that they can save around 70% to 80% of costs (refer to Section 8.5 of this report).

  We recognise that Oxford is unlikely to be able to achieve this level of savings, however, in accordance with the requirements of RG111, KPMG Corporate Finance has assumed residual

[8] Based on operating earnings, which is FFO less amortisation of lease incentives. Operating earnings has been adjusted to remove the impact of amortisation of capitalised borrowing costs from 1 July 2018 until the implementation date of the Proposal.

[9] For example, GPT, DEXUS, Brookfield Australia, Mirvac Group, Stockland Group, Charter Hall Group.

[10] An exception is Growthpoint, which estimated it could save 50% of costs in relation to the acquisition of GPT Metro Office Fund, however, the independent expert assumed that 72% to 86% of costs were saved.

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6 November 2018

corporate overheads on the basis that the acquirer has an existing management platform in Australia. Consequently, we have incorporated residual overheads in the range of $3.7 to $5.5 million per annum (i.e. net cost savings of 70% to 80%). We have capitalised the residual overheads at a multiple in the range of 8 to 9 times to arrive at a value in the range of $29.5 to $49.8 million. This value has been deducted from the pro forma NTA as at 30 June 2018, and

- borrowing costs capitalised for accounting purposes do not have a realisable value and, therefore, have been excluded in calculating the adjusted pro forma NTA.

Adjusted NTA represents the aggregate full underlying value of IOF. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, in certain situations, it is appropriate to apply a premium or discount to adjusted NTA. KPMG Corporate Finance considers that in this instance, no further adjustment is required, having regard to the specific attributes of IOF at this point in time, as well as the reduction in premiums to NTA observed in recent control transactions involving passive, office A-REITs (refer to Section 8.7 of this report for a discussion of premium and discounts to NTA).

Our assessed value of an IOF Unit on an adjusted NTA basis of $5.49 to $5.52 implies the following FFO[11] multiples and distribution yields:

Table 2: IOF implied multiples cross check

Implied metrics	Section Reference	Parameter (per IOF Unit)	Low	High
Value per IOF Unit	**8.2**		**$5.49**	**$5.52**
FY18 FFO multiple (times)[1]	7.7	30.6¢	17.9	18.0
FY19 FFO multiple (times)[2]	7.7	29.2¢	18.8	18.9
FY18 distribution yield	7.7	20.3¢	3.7%	3.7%
FY19 distribution yield[2]	7.7	20.3¢	3.7%	3.7%

Sources: KPMG Corporate Finance Analysis
Notes:
1. FY18 actual FFO
2. IOF FY19 guidance

An FFO or distribution yield are essentially the inverse of a multiple of FFO or distributions, with a lower yield indicating a higher value relative to the FFO or distributions. IOF's implied forecast FFO multiples are high and its distribution yields are below the multiples observed in recent control transactions involving externally managed, passive A-REITs. We consider a high FFO multiple and low distribution yield appropriate, having regard to IOF's exposure to the strongly performing Sydney and Melbourne CBD office markets and relatively low exposure to the weaker Brisbane and Perth markets, substantial yield compression in recent years and the quality of IOF's portfolio. However, we note that these multiples also reflect the forecast decline in FFO and curtailment of distributions as a result of IOF's development and refurbishment activities.

The valuation of an IOF Unit is set out in Section 8 of this report.

A comparison of our assessed value per IOF Unit on a control basis to the Oxford Proposal Consideration is illustrated in the following chart.

[11] Property Council FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in December 2017.

Schedule 2. Independent Expert's Report

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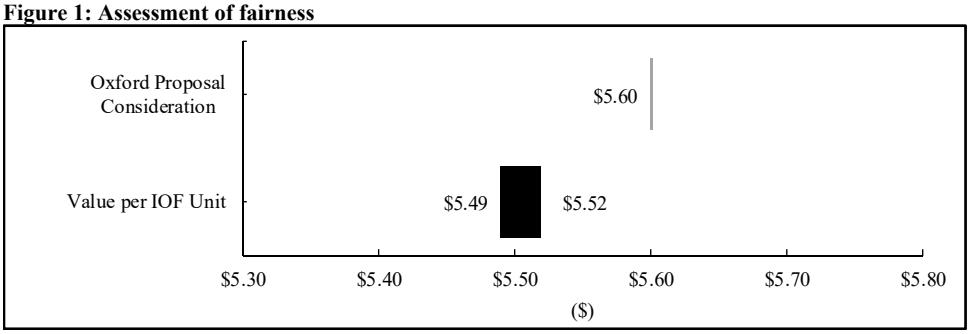
6 November 2018

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance analysis

As the Oxford Proposal Consideration of $5.60 per IOF Unit exceeds our assessed value range for an IOF Unit of $5.49 to $5.52, we consider that the Scheme is fair.

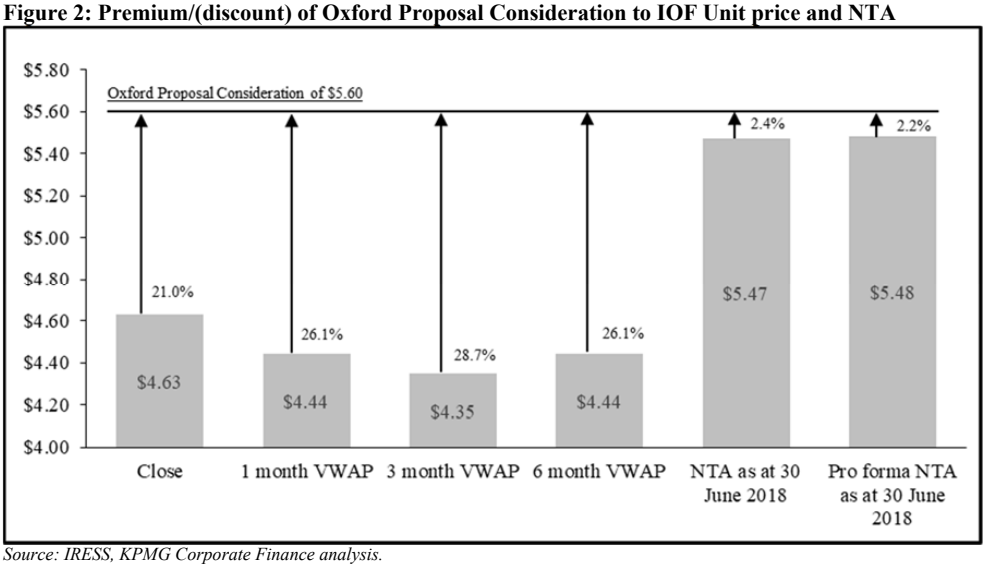
3.2 The Scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, this means that the Scheme is reasonable. Notwithstanding that the Scheme is fair, KPMG Corporate Finance has considered a range of other factors that IOF Unitholders may also wish to take into account in considering whether to approve the Scheme as summarised below.

The Oxford Proposal Consideration represents a premium to pro forma NTA as at 30 June 2018 and a substantial premium to the trading price of IOF Units prior to the announcement of the Blackstone Proposal

The implied premium of the Oxford Proposal Consideration relative to the IOF Unit price and 30 June 2018 NTA is illustrated in the following chart.

Figure 2: Premium/(discount) of Oxford Proposal Consideration to IOF Unit price and NTA



Source: IRESS, KPMG Corporate Finance analysis.
Note: The premiums illustrated above have been calculated based on the volume weighted average price (VWAP) of IOF Units up to and including 25 May 2018, the last trading day prior to the announcement of the Blackstone Proposal.

The Oxford Proposal follows a significant period of corporate activity involving IOF over the last six months as described in Section 5.1 of this report. During this period, Blackstone increased the consideration offered for IOF Units three times and Oxford submitted two non-binding indicative competing proposals. The Oxford Proposal Consideration of $5.60 per IOF Unit represents a 65.15 cent or 13.2% increase to Blackstone's initial offer price (adjusted for distributions) of $4.9485 per IOF Unit that was received in April 2018.

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6 November 2018

Premium/(discount) to IOF Unit price

With regard to our assessment of the premiums to trading prices implied by the Oxford Proposal Consideration, we note:

- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a security to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. In the case of IOF, it is a passive, externally managed A-REIT with no operating business or third party mandates and consequently, potential synergies available to an acquirer are limited to responsible entity fees, listing costs and other trust expenses
- the Oxford Proposal Consideration of $5.60 per IOF Unit represents a substantial premium to trading price of IOF Units prior to the announcement of the Blackstone Proposal in the range of 21.0% (or 23.1% after removing the impact of the distribution to 25 May 2018 on the closing price[12]) to 28.7%. These premiums are:
  - above the top end of the range of premiums observed in successful control transactions involving A-REITs since 2013 which are in the range of 6% to 23% (refer to Appendix 4 of this report)
  - substantially greater than the 3.6% premium based on the standard consideration under the DEXUS Proposal for IOF in 2015[13]
  - slightly greater than the 19.2% to 26.9% premium based on the Increased Price ($5.52) under the Blackstone Proposal
- the significant premium to trading prices implied by the Oxford Proposal Consideration also reflects:
  - the 7.9% uplift in property valuations as at 31 May 2018 (with all but five of IOF's properties not having been valued since April 2017) reflecting further contraction in capitalisation rates, a strong Sydney market and significant leasing activity
  - the 11.0% uplift in the valuation of 151 Clarence Street, Sydney, which reached practical completion in early October 2018
  - the competitive bidding situation, and
- prior to the announcement of the Blackstone Proposal, IOF Units had not traded as high as $5.60 since before the onset of the global financial crisis in October 2008.

Premium/(discount) to NTA

- premiums/(discounts) to NTA largely reflect the stage of the property cycle at the time of the transaction as well as factors specific to each A-REIT. Transactions from 2013 to 2015 occurred at a significant premium to reported NTA, reflecting an expectation of rising property valuations (with a lag). Premiums to NTA observed in transactions that occurred from 2016 are generally lower, with the premiums decreasing over time, which potentially reflects an expectation that property valuations are nearing peak[14] (although according to analysts, there remains scope for further capitalisation rate compression in the short term[15]). This may suggest that the price paid in a current transaction for a passive investment trust should be closer to NTA (prior to taking into account the specific attributes of the transaction)

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[12] Based on the closing price of $4.63 on 25 May 2018 less the pro rata distribution to 25 May 2018 of 8.1312 cents (calculated as the 10.15 cent distribution multiplied by 145 days to 25 May 2018, divided by 181 days for the six months to 30 June 2018).

[13] Based on the midpoint of the independent expert's assessed value for the Standard Consideration of $3.995.

[14] For example: "Are we there yet? Office prices to peak in 2018", Australian Financial Review, 11 January 2018.

[15] Source: Colliers, "CBD Office Second Half 2018", August 2018, Credit Suisse "A-REIT Sector Results", September 2018

Schedule 2. Independent Expert's Report

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6 November 2018

- the 2.2% premium of the Oxford Proposal Consideration to pro forma 30 June 2018 NTA of $5.48 (which includes the revaluation of all of the IOF properties at 31 May 2018 and the further revaluation of 151 Clarence Street, Sydney at 30 September 2018) is:
  - within the range of premiums/(discounts) implied by transactions involving passive, externally managed office A-REITs since 2010 of (3.9%) to 10.5% (refer to Section 8.7 of this report), noting that the high end of this range included GPT Metro Office Fund and Commonwealth Property Office Fund, which were involved in competitive bidding situations, and Australian Unity Office Fund, which has a substantial development pipeline and for which the transaction is pending. Excluding those transactions, the range is (3.9%) to 3.1%. Within this selection, we note that premiums to NTA implied by the two most recent successful transactions are relatively low ((2.5%) and 0.4%)
  - slightly above the range of premiums/(discounts) at which listed passive, primarily office A-REITs are trading of (9.3)% to 0.0%[16] (refer to Section 8.8 of this report), however, we note that the low end is represented by Investec Australia Property Group, which is listed on the Johannesburg Stock Exchange and does not have an ASX listing and for which trading is illiquid. Excluding Investec Australia Property Group, the range of premiums/(discounts) to NTA is (5.6)% to 0.0%, although these A-REITs are not particularly comparable to IOF
  - above the premium of 0.4% represented in the DEXUS Proposal for IOF in 2015,[17]
  - greater than the premium of 0.9% based on the Increased Price ($5.52) under the Blackstone Proposal, and
  - substantially more favourable than the average 12.4% discount to NTA at 31 December 2017 ($4.95) at which IOF was trading in the three months prior to the announcement of the Blackstone Proposal.

The Oxford Proposal Consideration represents an attractive exit yield

The calculation of adjusted NTA per IOF Unit is a limited analysis in so far as it does not capture the extent to which sharemarket investors may attribute a higher or lower value than NTA to reflect expectations as to the level of earnings or distributions. Earnings and distribution yields and growth in yields are also important metrics.

The Oxford Proposal Consideration of $5.60 implies the following FFO multiples and distribution yields.

Table 3: FFO multiples and distribution yield implied by the Oxford Proposal Consideration

Implied metrics	Section Reference	Parameter (per IOF Unit)	Implied multiple or yield
Proposal Consideration	**8.2**		**$5.60**
FY18 FFO multiple (times)[1]	7.7	30.6¢	18.3
FY19 FFO multiple (times)[2]	7.7	29.2¢	19.2
FY18 distribution yield	7.7	20.3¢	3.6%
FY19 distribution yield[2]	7.7	20.3¢	3.6%

Sources: KPMG Corporate Finance Analysis
Notes:
1. FY18 actual FFO
2. IOF FY19 guidance

The implied FFO multiples are:

[16] As at 31 October 2018. Other than IOF, the only listed passive, primarily office A-REITs are Investec Australia Property Fund, Centuria Metropolitan REIT and Australian Unity Office Fund. Australian Unity Office Fund share price currently includes a control premium as a result of the Starwood Capital Asia Limited proposal. As such, the one month VWAP prior to the announcement of the proposal has been adopted.

[17] Based on the midpoint of the independent expert's assessed value for the Standard Consideration of $3.995 and an NTA per IOF Unit (including property valuations at 30 November 2015) of $3.98.

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- towards the high end of the range of forecast FFO multiples implied by transactions involving passive, externally managed office A-REITs (12.8 to 20.9 times, noting that the high end of the range is represented by GPT Metro Office Fund which involved a competitive bidding situation) (refer to Section 8.8 of this report)
- substantially above the forecast FFO multiples implied by sharemarket evidence for primarily office A-REITs (13.4 to 15.8 times[18]) (refer to Section 8.8 of this report)
- substantially above the forecast FFO multiple at which IOF was trading prior to the announcement of the Blackstone Proposal (15.9 times FY19 FFO)[19]
- substantially above the 14.1 times forecast FFO multiple implied by the DEXUS Proposal,[20] and
- slightly greater than the 18.9 times forecast FFO multiple implied by the Increased Price ($5.52) under the Blackstone Proposal.

The implied distribution yields are:

- substantially below the low end of forecast distribution yields implied by transactions involving passive, externally managed office A-REITs (5.0% to 8.1%[21]) (refer to Section 8.8 of this report)
- substantially below forecast distribution yields implied by sharemarket evidence for primarily office A-REITs (4.9% to 7.8%[22]) (refer to Section 8.8 of this report)
- substantially below the distribution yield at which IOF was trading prior to the announcement of the Blackstone Proposal (4.4% based on both the FY18 distribution and FY19 distribution guidance[23])
- substantially below the 4.9% yield implied by the DEXUS Proposal,[24] and
- slightly below the 3.7% yield implied by the Increased Price ($5.52) under the Blackstone Proposal.

The high FFO multiples and low distribution yields implied by the Oxford Proposal Consideration reflect a number of factors, including:

- the competitive bidding situation
- the high quality of IOF's property portfolio
- the need to retain cash in the next two years given the level of capital expenditure required for major refurbishments as well as the development of Barrack Place, 151 Clarence Street, Sydney which reached practical completion in early October 2018. Although the value of these developments is included in the overall property values, no (or reduced) property income is currently being received, and
- the impact of the substantial compression in capitalisation rates over the last few years (from 6.9% at 30 June 2015 to 5.4% at 30 September 2018 as set out in Section 7.6 of this report) which has contributed to continued increases in property values. The Oxford Proposal provides an opportunity for IOF Unitholders to capture all of the benefit of these valuation uplifts. It is unlikely that this compression in capitalisation rates will continue to occur at levels seen in recent years. In this regard,

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[18] As at 31 October 2018.

[19] Based on the closing price of IOF Units on 25 May 2018 of $4.63, the actual FFO for FY18 of 30.6 cents and the FY19 guidance of 29.2 cents.

[20] Based on the midpoint of the independent expert's assessed value of the Standard Consideration of $3.995 divided by FY16 FFO per Unit guidance of 28.4 cents.

[21] Excluding Brookfield Prime Property Fund for which we consider the yields are distorted by the very low payout ratio and for which a forecast distribution yield is not available.

[22] As at 31 October 2018.

[23] Based on the closing price of IOF Units on 25 May 2018 of $4.63, the FY18 distribution of 20.3 cents and FY19 distribution guidance of 20.3 cents.

[24] Based on FY16 distribution per unit guidance of 19.6 cents divided by the midpoint of independent expert's assessed value of the Standard Consideration of $3.995.

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we note that the rate of compression of capitalisation rates has slowed substantially since 30 June 2017.

The Oxford Proposal Consideration provides certainty of value

The cash nature of the Oxford Proposal Consideration offers IOF Unitholders an opportunity to exit their investment in IOF at a price that is certain and which incorporates a premium for control. In the absence of the Oxford Proposal or a similar transaction, IOF Unitholders could only realise their investment by selling their IOF Units on market at a price that does not include a premium for control and would incur transaction costs (e.g. brokerage). There is no certainty as to the price at which IOF Unitholders would be able to realise their investment in the future, particularly given the IOF Unit price has tended to be fairly volatile (refer to Section 7.10 of our report). Government bond yields have recently increased and new supply is expected to come on in the Sydney CBD (beyond 2020) and the Melbourne CBD (from 2019) (refer to Appendix 3 of this report).

IOF Unitholders will no longer be exposed to the risks to which IOF is exposed, in particular re-letting risk whereby 15% of the portfolio is off lease in FY19 in addition to the current 4.9% vacancy[25]. A further 7% of the development property remains to be let. The property valuations assume that releasing occurs at a high point in the property cycle.

The Oxford Proposal follows a period of sustained increases in property values as a result of capitalisation rate compression from 7.3%[26] at 30 June 2014 to 5.4% at 30 September 2018, strong growth in rental income and supply shortages in key markets. This has resulted in IOF's NTA increasing by 63.6% from $3.35 at 30 June 2014 to $5.48 at 30 June 2018 (pro forma). The Oxford Proposal Consideration of $5.60 captures all of this growth in property valuations.

The IOF Unit price will likely fall in the absence of the Oxford Proposal

Since 25 May 2018 (the last trading day before the announcement of the Blackstone Proposal), the IOF Unit price has increased by 19.9% to close at $5.55 on 31 October 2018. In the absence of the Oxford Proposal, a superior proposal or speculation concerning a superior proposal (and assuming no changes in management structure, growth outlook or sharemarket conditions), the IOF Unit price is likely to fall, potentially to levels below the Oxford Proposal Consideration ($5.60 per IOF Unit) but likely above the level it was trading at prior to the announcement of the Blackstone Proposal as a consequence of the 7.9% uplift in property values at 31 May 2018 and 11.0% increase in the valuation of 151 Clarence Street, Sydney as at 30 September 2018.[27] In this regard, we note that the IOF Unit price declined to a low of $4.97 on 21 August 2018 following ILFML's announcement on 20 August 2018 that ICPF intended to vote its 19.9773% interest in IOF against the Blackstone Proposal.

The discount at which IOF Units have traded relative to NTA increased from mid-2017 to 25 May 2018 (immediately prior to the announcement of the Blackstone Proposal), which potentially reflects:

- market conditions:
  - a slowdown in the rate of compression of capitalisation rates and continued soft demand and high vacancy in Perth and Brisbane
  - an increase in government bond yields, effectively reducing the attractiveness of A-REITs
  - an appreciation of the Australian dollar relative to the US dollar, making Australian dollar investments more expensive for foreign investors[28]

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[25] As at 30 September 2018.

[26] Australian portfolio only.

[27] An increase of 1.0% (7 cents) in NTA per IOF Unit.

[28] From a low of A$1= US$0.7352 on 9 May 2017 to a high of A$1=US$0.8096 on 29 January 2018 (representing a 10.1% appreciation). On 25 May 2018, the exchange rate was A$1=US$7565

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In the 12 months to 25 May 2018, the premium/(discount) to NTA for other predominantly office A-REITs decreased/(increased) from (1.9%) to 26.2% (a median premium of 14.7%) to (7.8%) to 17.2% (a median premium of 6.4%).

- IOF's near term decline in FFO per IOF Unit and limited distribution growth as a result of its development activities and repositioning of key assets. Over the next three financial years, capital expenditure requirements in relation to these projects is estimated to be in the range of $114 to $149 million, not including lease incentives (refer to Section 7.6 of this report). Also, during the development and repositioning period, rental income will be reduced. ILFML, as responsible entity for IOF, has provided guidance indicating a 4.6% decline in FFO per IOF Unit from 30.6 cents in FY18 to 29.2 cents in FY19, while distributions are expected to remain flat at 20.3 cents. Management has not provided AFFO[29] guidance for FY19, however, we note that growth in AFFO per IOF Unit is expected to also be impacted by lease incentives in relation to development and repositioning projects. Consequently, distributions per IOF Unit over the next two years will need to be partially funded by an increase in borrowings
- continuing uncertainty as to the ownership of IOF and its management rights. Oxford's 19.9973% relevant interest in IOF is also likely to be a deterrent to an acquisition proposal by another party, and
- IOF's external management structure, which is increasingly out of favour with investors.

In the three months prior to the announcement of the Blackstone Proposal, IOF Units traded at a discount in the range of 6.5% to 16.2% (and an average of 12.4%) relative to NTA at 31 December 2017 of $4.95. It is likely that in the absence of the Oxford Proposal, IOF would continue to trade at a discount to NTA as the factors which contributed to the discount continue to exist (in particular, the limited FFO and distribution growth). A 12.4% discount to pro forma NTA at 30 June 2018 of $5.48 (including the impact of the revaluations) suggests a trading price of $4.80, which is below the Oxford Proposal Consideration of $5.60.

Since the announcement of the Blackstone Proposal until 31 October 2018, the S&P/ASX200 A-REIT Index has remained flat (decreasing only slightly by 1.2%) and the trading price premiums/(discounts) to NTA for predominantly office A-REITs have also generally remained flat from (7.8%) to 17.2% (a median premium of 6.4%), to (9.3%) to 13.8% (a median premium of 5.8%).

Alternatives available to IOF

In weighing up any offer, IOF Unitholders should have regard to the alternatives that are available to IOF, including:

- remaining as a listed A-REIT
- liquidation/wind up, and
- a superior acquisition proposal.

With regard to each of these alternatives, we note the following:

Remaining as a listed A- REIT

It is open for IOF Unitholders to vote against the Oxford Proposal and retain their investment in IOF in the expectation that the IOF Unit price will increase in future as property valuations continue to increase, however, future growth is not certain. Bond yields have recently increased and new supply is expected to come on in Sydney and Melbourne in the next few years. Furthermore, IOF's Unit price is influenced by other factors such as distribution yields.

IOF is an externally managed A-REIT, which is increasingly out of favour with investors, and we are not aware of any option to internalise management.

[29] AFFO is FFO after maintenance capital expenditure and incentives.

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6 November 2018

Wind up

A wind up of the portfolio is unlikely to realise a return to IOF Unitholders in excess of the cash payment under the Oxford Proposal. Sale of the portfolio and the distribution of the net proceeds would involve costs and risks including:

- sale of the portfolio is likely to take a considerable amount of time given the size of the portfolio (20 properties) and the existence of pre-emptive rights under co-investor agreements for some of the most attractive assets (e.g. 10-20 Bond Street, Sydney and 126 Phillip Street, Sydney)
- there would need to be a strategy around how to best sell the portfolio. For instance it may be difficult to sell the portfolio in a single transaction as the process would be complicated by pre-emptive rights under co-investor agreements. The portfolio includes six assets which are held in joint ventures, each of which are some of the most attractive assets. Further, the portfolio had a book value at 30 June 2018 (pro forma) of $4.4 billion. There are a limited number of potential buyers that would have the financial capacity to undertake an acquisition of this size. If, on the other hand, the properties were sold individually, IOF may be able to sell the attractive properties relatively easily and at a premium to book value but may also be left with lower quality, more difficult to sell, assets, and
- the net proceeds from sale would be reduced by selling costs, break fees and taxes:
  - while the independent property valuations include selling costs, additional selling costs (e.g. legal and agents fees and some broker fees) would likely be incurred and there would be additional costs (e.g. legal) associated with the subsequent winding up of the trusts
  - break fees may be payable on the early repayment of the debt facilities, and
  - sale of the portfolio at book value would realise a substantial capital gain for tax purposes and bidders would incur greater stamp duty than under a sharemarket offer.

Likelihood of a superior proposal

In assessing the merits of the Proposal, we have considered the likelihood of a superior alternative proposal. In this regard, we have considered the following:

- under the Oxford SIA, IOF is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals (other than the director fiduciary duty carve out). IOF is also required to notify Oxford should it become aware of any possible alternative proposal and Oxford has a last right to match a competing proposal. Further, under certain circumstances IOF would be required to pay a break fee of $33.5 million. Although the likelihood of a superior proposal is impacted by these terms, it does not preclude an alternative proposal from being made. We note that the Directors would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise
- a number of parties (DEXUS, Cromwell and Blackstone) have expressed an interest in acquiring IOF in the past (refer to Section 5.1 of this report). The DEXUS and Blackstone proposals were not successful and Cromwell did not proceed to make a binding offer
- Oxford's 19.9973% relevant interest in IOF is likely to be a deterrent to an acquisition proposal by another party
- the Oxford Proposal Consideration of $5.60 represents a 2.2% premium to the pro forma NTA as at 30 June 2018 of $5.48
- a considerable period of time has elapsed since Blackstone's initial proposal on 28 May 2018, and
- Blackstone has advised that it would not provide a matching or superior offer to the Oxford Proposal and it is unclear whether Oxford would be prepared to pay a higher price. There has already been a series of increases since Blackstone's initial offer price of $4.9485 (excluding the distribution) on 5 April 2018 to the Oxford Proposal Consideration of $5.60 (a 13.2% increase).

There will continue to be opportunity for interested parties to put forward a superior proposal until the Scheme Meeting. However, we are not aware of a superior proposal as at the date of this report.

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6 November 2018

3.3 Other considerations

In forming our opinion, we have also considered a number of other factors, as detailed below. Although we do not consider these factors impact our assessment of the reasonableness of the Scheme, we consider it appropriate for IOF Unitholders to consider these factors in assessing the Scheme.

Transaction costs associated with the Scheme

IOF management has estimated that in the event the Oxford Proposal does not proceed, IOF will have incurred or committed costs of approximately $39.7 million (plus GST, including the break fee payable to Blackstone) in relation to the Oxford and Blackstone proposals. One-off transaction costs primarily relate to legal, accounting and expert fees and other costs associated with the Oxford and Blackstone proposals and the approximately $32 million break fee payable to Blackstone.

Taxation implications for IOF Unitholders

Allens has provided tax advice for IOF Unitholders who hold their IOF Units on capital account and who acquired their IOF Units post 20 September 1985 (other than pursuant to an employee share, option or rights plan) and who are not subject to "taxation of financial arrangement" rules. For Australian resident IOF Unitholders, the Oxford Proposal will give rise to two separate capital gains tax events in relation to the disposal of AJO Units and PCP Units for cash. Unitholders may make a capital gain or loss depending on the cost base or reduce cost base of their holding. Further details of the tax consequences for Australian resident IOF Unitholders, as well as the tax consequences for non-Australian resident IOF Unitholders are set out in Section 7 of the Explanatory Memorandum.

3.4 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, IOF will continue to operate in its current form and remain listed on the ASX. As a consequence:

- IOF will continue to operate as a standalone entity and remain listed on the ASX. Transaction costs of approximately $39.7 million will have been incurred or committed including the approximately $32 million break fee payable to Blackstone
- IOF Unitholders will not receive the Oxford Proposal Consideration. IOF would not be liable to pay a break fee to Oxford
- it is expected that IOF will pay a distribution in respect to the half year ending 31 December 2018
- IOF Unitholders will continue to be exposed to the benefits and risks associated with an investment in IOF
- in the absence of a superior proposal, the IOF Unit price will likely fall, for the reasons set out previously
- if the Oxford Proposal does not proceed due to certain specified events as described in Section 8.3 of the Explanatory Memorandum, such as any of the Directors ILFML, as responsible entity for IOF failing to recommend the Oxford Proposal or withdrawing their recommendation (with certain exceptions[30]), ILFML must pay to Oxford a break fee of $33.5 million.

4 Other matters

In forming our opinion, we have considered the interests of IOF Unitholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual IOF Unitholders. It is not practical or possible to assess the implications of the Proposal on individual IOF Unitholders as their

[30] Other than in the event of the independent expert concluding the Proposal is not in the best interests of IOF Unitholders or ILFML has terminated the Implementation Agreement due to the material breach by the Oxford Acquirer of its obligations or warranties, or due to the Oxford Proposal not being approved by the requisite majorities.

Schedule 2. Independent Expert's Report

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6 November 2018

financial circumstances are not known. The decision of IOF Unitholders as to whether or not to approve the Oxford Proposal is a matter for each IOF Unitholder based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual IOF Unitholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the Scheme Resolutions may be influenced by his or her particular circumstances, we recommend that individual IOF Unitholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act 2001 (Cth) (the Act) and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting IOF Unitholders in considering the Oxford Proposal. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to the financial year to 30 June have been abbreviated to FY.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum to be sent to IOF Unitholders in relation to the Oxford Proposal, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Memorandum.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Section 6.3 of our report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin
Authorised Representative

Joanne Lupton
Authorised Representative

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6 November 2018

Contents

Part One – Independent Expert's Report 1

1 Introduction 1

2 Scope of Report 3

3 Summary of opinion 3

3.1 The Scheme is fair 5

3.2 The Scheme is reasonable 8

3.3 Other considerations 15

3.4 Consequences if the Scheme does not proceed 15

4 Other matters 15

5 The Proposal 19

5.1 Background 19

5.2 Overview of the Oxford Proposal 21

5.3 Conditions of the Oxford Proposal 21

5.4 Transaction costs 22

6 Scope of the report 23

6.1 Purpose 23

6.2 Basis of assessment 23

6.3 Limitations and reliance on information 24

6.4 Disclosure of information 24

7 Profile of IOF 26

7.1 Overview 26

7.2 Strategy 26

7.3 Operating structure 27

7.4 Fee structure 29

7.5 Board of directors and senior management 29

7.6 Investment property portfolio 29

7.7 Financial performance 34

7.8 Financial position 36

7.9 Capital structure 39

7.10 IOF Unit price performance 40

8 Valuation of IOF 45

8.1 Approach 45

8.2 Summary 45

8.3 Net tangible assets 45

8.4 Retained earnings and distributions 48

8.5 Capitalised corporate overheads 49

8.6 Other assets and liabilities 50

8.7 Premium/(discount) to NTA 50

Schedule 2. Independent Expert's Report

For personal use only

6 November 2018

8.8 Valuation cross-check	54
Appendix 1 – KPMG Corporate Finance Disclosures	58
Appendix 2 – Sources of information	59
Appendix 3 – Industry overview	60
Appendix 4 – Market evidence	66
Part Two – Financial Services Guide	77

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6 November 2018

5 The Proposal

5.1 Background

The Oxford Proposal follows several years of actual and proposed changes of ownership of IOF, its responsible entity, ILFML, and property manager, IOM.

Ownership of management rights

In March 2011, ING Real Estate Investment Management sold the management rights of IOF to IPG. IPG was owned by funds managed by Morgan Stanley Real Estate Investing (Morgan Stanley). As part of the transaction, IOF was granted a call option over 50% of the IOM platform, exercisable within 12 months of the date on which the value of IOF's Australian assets exceeded $3.5 billion.

In February 2015, Morgan Stanley advised that it had commenced a formal process to sell its interest in IPG (which included Investa Office Management Holdings Pty Limited (IOMH) (the owner of IOM) and its 8.94% interest in IOF, Investa Property Trust and the Investa Land business).

In August 2015, ILFML announced that Morgan Stanley had advised that it would not entertain an offer from IOF to acquire IOM and that it intended to complete a sale of IOM in a manner that did not trigger IOF's pre-emptive rights.

In October 2015, ILFML announced that Morgan Stanley had entered into a non-binding term sheet with Investa Commercial Property Fund (ICPF) to acquire the management platform.

In March 2016, IPG, now comprising ICPF and ICPF Holdings Ltd, acquired IOMH, the owner of IOM, from Morgan Stanley for $90 million. The sale did not trigger IOF's pre-emptive right to acquire a 50% interest in IOM.

In November 2016, ICPF acquired Morgan Stanley's 8.94% interest in IOF.

Strategic Review in 2015 and DEXUS Proposal

On 14 August 2015, the independent directors of ILFML at the time announced that it had commenced a process to undertake a full strategic review with the objective of maximising value for IOF Unitholders and explore management and ownership options of IOF.

The strategic review resulted in a proposal from DEXUS Property Group (DEXUS Proposal) in December 2015 to acquire all of the IOF Units in IOF for standard cash and scrip consideration comprising 0.4240 DEXUS securities and $0.8229 in cash for each IOF Unit. As an alternative to the standard consideration, the DEXUS Proposal offered a 'mix and match' facility where IOF Unitholders were able to elect to receive all-cash or all-scrip consideration, subject to a scale-back mechanism. The proposal allowed IOF Unitholders a cash alternative of up to $4.11 per IOF Unit.

On 12 April 2016, Cromwell Property Group (Cromwell) acquired a 9.83% interest in IOF from CBRE Clarion Securities LLC. The sale of IOM in March 2016 allowed Morgan Stanley to vote its interest in relation to the DEXUS Proposal. In April 2016, the DEXUS Proposal was rejected by IOF Unitholders.

IOM Joint Venture Proposal

In August 2016, the value of IOF's commercial office assets exceeded $3.5 billion and IOMH offered to IOF a 50% interest in IOM for $45 million plus other agreed adjustments, such that IOMH would be 50% owned by each of IPG and IOF. The joint venture proposal transaction was rejected by IOF Unitholders on 31 May 2017.

Cromwell indicative and non-binding proposal

On 30 November 2016, ILFML advised that it had received a highly conditional, non-binding and indicative letter from Cromwell referring to the conditional possibility of an arrangement to acquire all of the IOF Units for $4.45 per IOF Unit in cash. ILFML did not grant due diligence as it considered that that the offer price undervalued IOF.

On 4 April 2017, ILFML advised that it had received an unsolicited, indicative and non-binding proposal from Cromwell to acquire all of the IOF Units for $4.85 per IOF Unit (inclusive of a 10.0 cent

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distribution). After signing a confidentiality agreement with ILFML and commencing due diligence, Cromwell did not proceed to make a binding offer and sold its interest in IOF to ICPF on 4 October 2017, increasing IPCF's interest in IOF to 19.95%.

The Blackstone Proposal

On 5 April 2018, the Directors of ILFML received an unsolicited, confidential, indicative and non-binding proposal from Blackstone to acquire IOF for cash consideration of $5.05 per IOF Unit, reduced by any distributions declared or paid by IOF on or after 5 April 2018. On 4 May 2018, ILFML, on behalf of IOF, and Blackstone entered into a confidentiality and standstill agreement which resulted in a cash proposal to acquire IOF for 5.25 per IOF Unit, less any distributions declared or paid by IOF on or after 4 May 2018.

On 28 May 2018, ILFML, as responsible entity of IOF, announced that it had entered into a Process Deed with the Acquirer in relation to the Proposal for the acquisition of all the IOF Units by way of a trust scheme. Under the Process Deed, the Acquirer was granted a further four weeks to complete any outstanding confirmatory due diligence and finalise binding documentation with ILFML and the Directors of ILFML agreed, among other matters, to a 'no shop' provision during this period.

Subsequently after entering into a Process Deed and confirmatory due diligence being performed, ILFML announced on 13 June 2018 that it had entered into a scheme implementation agreement with Blackstone.

The Blackstone Proposal Revised Consideration

On 13 August 2018, ILFML announced that Investa Wholesale Funds Management Limited (IWFML) as responsible entity for the Investa Commercial Property Fund (ICPF) had advised that ICPF Holdco Pty Limited (a wholly owned subsidiary of the ICPF Group) had sold a 50% interest in the Investa Office Management Platform to, and entered into a joint venture deed with, Macquarie Real Estate Investment Holding (Australia) Pty Limited, a wholly owned subsidiary of Macquarie Group Limited (Platform Transaction). The transaction resulted in ICPF being able to vote on the Proposal Resolutions associated with the Blackstone Proposal.

On 20 August 2018, IWFML as responsible entity of ICPF notified ILFML that ICPF Group intended to vote all of the IOF Units they held (19.9973%) against the Blackstone proposal resolutions.

Subsequently, on 22 August 2018, ILFML announced that Blackstone was prepared to increase the Proposal Consideration to $5.3485[31] per IOF Unit (the Blackstone Proposal Revised Consideration) (a 20.0 cent increase from the Blackstone Proposal Consideration). The Blackstone Proposal Revised Consideration was conditional on ICPF Group issuing a public statement by 5 pm on 24 August 2018 that they intended to vote all of the IOF Units they hold in favour of the Blackstone Proposal resolutions in the absence of a superior proposal. IWFML confirmed to ILFML that the ICPF Group intended to vote in favour of the revised Proposal, in the absence of a superior proposal. As such, this condition was met.

Blackstone stated that it would not increase the Proposal Consideration further and accordingly, the Blackstone Proposal Revised Consideration was best and final, in the absence of a superior proposal.

The Blackstone Proposal Increased Price

On 4 September 2018, ILFML announced that it had received an unsolicited, non-binding, indicative and conditional proposal from Oxford to acquire 100% of IOF for a cash price of $5.50 per IOF Unit (less any distributions declared or paid on or after 4 September 2018) (Oxford Indicative Proposal). The Oxford Indicative Proposal was subject to a number of conditions, including:

- confirmatory due diligence over a four week period
- receipt of final approval by the OMERS Investment Committee
- confirmation of third party financing, and

[31] Taking into account the 10.15 cent per IOF unit declared distribution that IOF Unitholders received on 27 August 2018

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6 November 2018

- Foreign Investment Review Board (FIRB) approval.

Subsequently, on 6 September 2018, ILFML announced that Blackstone was prepared to increase the Proposal Consideration to $5.52[32] per IOF Unit (a 17.15 cent increase from the Blackstone Proposal Revised Consideration) subject to a number of conditions, including that the ILFML Board used best endeavours to set a new date for the scheme meeting as soon as possible. The ILFML Board entered into transaction documents to amend the Blackstone Proposal Revised Consideration as follows:

- if the Proposal Resolutions were voted on by IOF Unitholders on or before 17 September 2018 (or if Blackstone has waived this requirement), IOF Unitholders would receive an increase in cash consideration from $5.3485 per IOF Unit to $5.52[32] per IOF Unit (Increased Price), and
- if the Proposal Resolutions were voted on by IOF Unitholders after 17 September 2018 (except where Blackstone had waived the requirement that the Proposal Resolutions be voted on by IOF Unitholders on or before to 17 September 2018), IOF Unitholders would receive cash consideration of $5.3485[32] per IOF Unit (Base Price).

Blackstone stated that it would not increase the Proposal Consideration further, and accordingly, the Increased Price was best and final, in the absence of a superior proposal.

ILFML and Blackstone also agreed to amend the quantum of the break fee that may be payable by IOF under the Blackstone Implementation Agreement from $20 million to 1% of the consideration (i.e. approximately $33.5 million based on the Increased Price or approximately $32 million based on the Base Price).

However, prior to the IOF Unitholder meeting ILFML received an unsolicited, non-binding, indicative and conditional proposal from Oxford for a cash consideration of $5.60 per IOF Unit[33] subject to confirmatory due diligence. As a consequence ILFML adjourned the IOF Unitholder meeting and Oxford were given a four week period to conduct due diligence and formulate a binding proposal.

5.2 Overview of the Oxford Proposal

On 12 October 2018, Oxford submitted a binding offer to acquire all the units in IOF for the cash consideration previously indicated of $5.60 per IOF Unit[33,] subject to execution of a scheme implementation agreement and the unanimous recommendation of the Directors of ILFML (Directors). As stated previously, IOF will be acquired by Oxford AJO Bid Trust and Oxford PCP Bid Trust (together the Oxford Acquirer). Each Oxford Acquirer is ultimately owned by OMERS.

On 18 October 2018, ILFML announced that Blackstone had advised that it would not provide a matching or superior offer to the Oxford Proposal. As a result the ILFML Board withdrew its recommendation for the Blackstone Proposal, terminated the Blackstone SIA and paid a break fee of approximately $32 million to Blackstone and entered into the Oxford SIA in relation to the Oxford Proposal.

The Directors have also stated that they unanimously recommend that IOF Unitholders vote in favour of the Proposal in the absence of a superior proposal and that they intend to vote all the IOF Units they hold or control in favour of the Oxford Proposal, in the absence of a superior proposal.

If the Scheme is approved by the IOF Unitholders and the Court, and if all other conditions are satisfied or waived, IOF will be de-stapled and delisted from the ASX. If the Scheme is not approved or any other conditions are not satisfied or waived, the Oxford Proposal will not proceed, and IOF will continue as a standalone stapled group listed on the ASX.

5.3 Conditions of the Oxford Proposal

The Oxford Proposal is subject to a number of conditions precedent which, if not satisfied or waived (if applicable), may result in the Oxford Proposal not proceeding. These conditions precedent are set out in

[32] Taking into account the 10.15 cent per IOF unit declared distribution that IOF Unitholders received on 27 August 2018. Reduced by any distribution declared or paid on or after 5 September 2018.

[33] Less distributions declared or paid on or after 13 September 2018.

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detail in Clause 3.1 of the Oxford SIA and Section 8.3 of the Explanatory Memorandum and the conditions that have not already been satisfied as at the date of this report are summarised below:

- FIRB approval
- regulatory approvals required to implement the Oxford Proposal are granted or obtained and not withdrawn, cancelled or revoked
- IOF Unitholder approval of the Scheme Resolutions by the requisite majorities
- execution and lodgement of each Supplemental Deed Poll
- other customary conditions, including 'no prescribed occurrence', 'no restraints' and 'no material adverse change' before the date of the Scheme Meeting[34]
- each member of the ILFML Board has, in the Explanatory Memorandum, stated that they recommend that the IOF Unitholders vote in favour of the Oxford Proposal, in the absence of a Superior Proposal[35], and no member of the ILFML Board has withdrawn, qualified or varied their recommendation before the Scheme Meeting
- the Supreme Court of New South Wales (Court) providing the Judicial Advice, and
- the independent expert provides the IER to ILFML stating that in its opinion the Oxford Proposal is in the best interests of IOF Unitholders and does not change its conclusion before the Scheme Meeting.

Clause 11 of the Oxford SIA and Section 8.3 of the Explanatory Memorandum also contains certain exclusivity provisions that apply during the Exclusivity Period[36] including 'no existing discussions', 'no shop', 'no talk' and 'no due diligence' restrictions, a notification obligation and a matching right, subject (in the case of the 'no talk' and 'no due diligence' restrictions and notification obligation) to the Directors' fiduciary obligations and where relevant obligations under the Blackstone SIA. A break fee of $33.5 million (being 1% of the aggregate Scheme Consideration) will be payable to the Acquirer by IOF in certain circumstances. Further details of the break fee are contained in Clause 12 of the Oxford SIA and Section 8.3 of the Explanatory Memorandum.

IOF Unitholders should also be aware that the Oxford SIA may be terminated in certain circumstances including in the event that a condition precedent is not satisfied or waived, if the Scheme does not become effective by 18 April 2019 (or such later date as agreed in writing between the parties) or if the Scheme Resolutions are not approved by the requisite majority of IOF Unitholders at the Scheme Meeting as set out in Clause 13 of the Oxford SIA and summarised in Section 8.3 of the Explanatory Memorandum. If the Oxford SIA is terminated, the Scheme will not proceed. The implementation date for the Oxford Proposal is expected to be 14 December 2018.

5.4 Transaction costs

IOF management has estimated total one-off transaction costs in relation to the Oxford and Blackstone proposals to be in the range of $39.7 million to $52.2 million on a pre-tax basis, of which $39.7 million will be incurred prior to the Scheme Meeting, of which $32 million is attributable to the break-fee payable to Blackstone. Other transaction costs include adviser, legal, accounting and expert fees and other costs.

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[34] Scheme Meeting means the meeting of IOF Unitholders to consider the Scheme Resolutions, and includes any adjournment of that meeting.

[35] As defined by the Oxford SIA.

[36] The period commencing on 18 October 2018 and ending on the earlier of the date on which the Oxford SIA is terminated, the Implementation Date of the Scheme (14 December 2018) and 18 April 2019.

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6 November 2018

6 Scope of the report

6.1 Purpose

This report is to be included in the Explanatory Memorandum to be sent to the IOF Unitholders and has been prepared for the purpose of assisting IOF Unitholders in their consideration of the Proposal.

There is no specific statutory framework for a trust scheme as there is for a scheme of arrangement between companies and their members. As such, the Takeovers Panel has issued Guidance Note 15 outlining the recommended procedures for a trust scheme. This Guidance Note suggests that the notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable, and therefore consistent with determining whether it is in the best interests of the members.

6.2 Basis of assessment

RG 111, issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert's report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the shares subject to the offer
- an offer is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of IOF, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of IOF. As such, we have not included the value of special benefits that may be unique to the Acquirer. Accordingly, our valuation of IOF has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's shares
- any special value of the target to the bidder
- the likely market price of the target's shares in the absence of the offer
- the likelihood of an alternative offer being made
- any other advantages, disadvantages and risks associated with accepting the offer.

Schedule 2. Independent Expert's Report

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RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of the members of the company. Further, RG111.21 states that if an expert would conclude that the proposal was 'not fair but reasonable' … it is still open to the expert to also conclude that the scheme is 'in the best interests of the members of the company'.

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of IOF or IOM for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with IOM as manager of IOF in relation to the nature of the business operations, specific risks and opportunities, historical results of IOF and prospects for the foreseeable future of IOF. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

ILFML has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters in relation to IOF (forward-looking financial information) prepared by representatives of ILFML. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, ILFML remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. ILFML has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to IOF. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial

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6 November 2018

information of the operating entities comprising IOF. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by ILFML.

Schedule 2. Independent Expert's Report

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6 November 2018

7 Profile of IOF

7.1 Overview

IOF is an ASX listed A-REIT that is externally managed by IOM, a wholly owned subsidiary of IOMH. IOMH is owned 50% by each of ICPF Holdings Limited and Macquarie Real Estate Investment Holding (Australia) Pty Limited (MREPL), a wholly owned subsidiary of Macquarie. A wholly owned subsidiary of IOM, ILFML, is the responsible entity of IOF. IOF holds a portfolio of 20 investment grade office properties located in CBDs throughout Australia. As at 30 June 2018 pro forma, the properties had a book value of approximately $4.4 billion. Prior to the announcement of the Blackstone Proposal on 28 May 2018, IOF had a market capitalisation of approximately $2.8 billion.[37]

IOF was formed in January 2000 as a result of the stapling of the units in two Australian registered property schemes, being the AJO Fund and the PCP Trust, and was externally managed by Mercantile Mutual Holdings Limited (Mercantile Mutual). IOF was renamed 'ING Office Fund' in 2001 when Mercantile Mutual changed its name to 'ING Australia Holdings Limited'. IOF's portfolio was expanded in both Europe and the United States up until the onset of the global financial crisis in 2008.

In March 2011, ING Real Estate Investment Management sold the management rights of IOF to a wholly owned subsidiary of ING. IPG was owned by funds managed by Morgan Stanley Real Estate Investing (Morgan Stanley), and IOF was renamed 'Investa Office Fund'. The strategy of IOF was refined to focus on the Australian office property sector. All offshore assets were divested (the sale of the final asset, a 50% interest in the Bastion Tower, Belgium, was completed in March 2015) and the proceeds reinvested in high quality Australian office properties that were mainly located in the Sydney and Melbourne CBDs.

In March 2016, ICPF Holdings Limited (an entity stapled to ICPF) acquired IOMH, the owner of IOM, from Morgan Stanley Real Estate Investing for $90 million. The sale did not trigger IOF's pre-emptive right to acquire 50% of IOM.

Since FY14, IOF has experienced net property income (NPI)[38] growth as vacancy rates have declined and face rents have increased. Strong growth in property valuations has also occurred as a result of the NPI growth and yield compression.

In FY17, the $211 million proceeds from the sale of two non-core assets in Melbourne (383 La Trobe Street and 800 Toorak Road) were reinvested in a new office development at Barrack Place, 151 Clarence Street (estimated total cost $130 million excluding incentives) and incentive capital expenditure at 242 Exhibition Street, Melbourne and 126 Phillip Street, Sydney and will be used to support the repositioning of 347 Kent Street, Sydney and 388 George Street, Sydney from FY19 and FY20. In addition, IOF bought back $70 million of IOF Units in FY18.[39]

On 11 August 2018, MREPL, a wholly-owned subsidiary of Macquarie, acquired a 50% interest in IOMH from ICPF Holdings Limited and MREPL, ICPF Holdco and IOMH entered into the Joint Venture Deed (Platform Transaction).

7.2 Strategy

IOF's strategy is focused on:

- enhancing the property portfolio returns through active asset management
- identifying and implementing value add and development opportunities to create quality core assets
- enhancing portfolio quality, scale and diversification with selective acquisitions and divestments

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[37] Calculated as closing price on 25 May 2018 of $4.63 multiplied by 598,418,985 IOF Units on issue.

[38] NPI includes income from consolidated and equity accounted properties.

[39] On 24 August 2017, ILFML, as the responsible entity of IOF, announced its intention to buy-back IOF Units. In the period following announcement of the buy-back until 31 December 2017, IOF purchased 15,628,473 IOF Units for a total value of $70.1 million, representing 2.5% of the 614 million IOF Units on issue at 30 June 2017.

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6 November 2018

- applying a focused approach to capital and risk management, and
- ensuring responsible investment from environmental, social and governance perspectives.

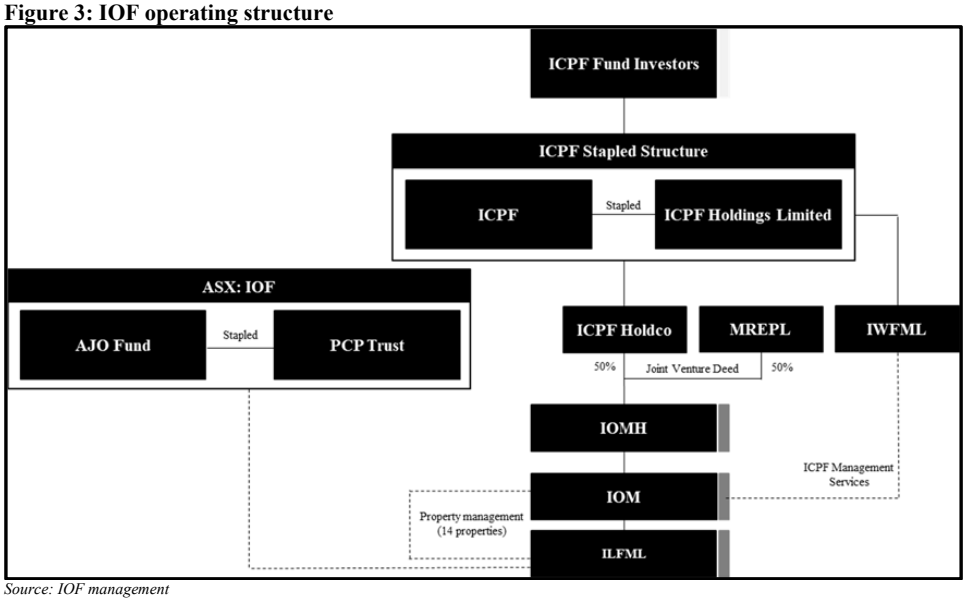
7.3 Operating structure

IOF is a stapled entity comprised of AJO Fund and PCP Trust (the Trusts) and trades on the ASX (ASX:IOF).

As stated previously, the responsible entity for the Trusts is ILFML. As the responsible entity, ILFML has engaged IOM to act as the manager of IOF pursuant to an Amended and Restated Management Deed dated 21 September 2017. Other subsidiaries of IOM undertake property management, project development and other general and administration services.

The operating structure of IOF is summarised as follows.

Figure 3: IOF operating structure



Source: IOF management

The rights and obligations of ILFML as responsible entity are set out in the Act and the constitutions of the respective Trusts approved by IOF Unitholders on 6 December 2011 (the Constitutions). ILFML's role as responsible entity of IOF is subject to the provisions of the Act relating to the retirement and removal of responsible entities for listed managed investment schemes. ILFML effectively has indefinite tenure unless it retires or is removed (including due to a change of control clause). Either of these changes may occur following an ordinary resolution of IOF Unitholders (i.e. at least 50% of votes cast).

ILFML has delegated certain responsibilities to related and other entities, including:

- ***funds management services***: have been delegated to IOM under an Amended and Restated Management Deed, dated 21 September 2017. The agreement continues until the earlier of a wind up of the AJO Fund and the PCP Trust and the date on which ILFML ceases to be the responsible entity of IOF (and is not replaced by a member of IPG)
- ***property management services:*** in relation to 11 wholly owned properties in Sydney/North Sydney and Brisbane, Investa Asset Management Pty Ltd (IAMPL) or Investa Asset Management (QLD) Pty Ltd (IAMPL - QLD), subsidiaries of IOM, under a Property Management Agreement, dated 23 December 2014. The agreement specifies a minimum term of five years from commencement. The commencement dates vary by property and range from 24 July 2013 to 1 January 2015

  In addition, IAMPL is responsible for property management of three jointly owned properties that are held through trusts (126 Phillip Street, Sydney, 567 Collins Street, Melbourne and 242 Exhibition Street, Melbourne). Management agreements for these jointly owned properties can be terminated by

Schedule 2. Independent Expert's Report

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any party for material breach by another party or by providing prior written notice of 30 or 90 days (as applicable).

The property management agreements also provide for leasing fees.

IAMPL undertakes property management with respect to the office component of Piccadilly Complex, Sydney under separate property management agreements. The retail component of Piccadilly Complex is managed externally. The management agreement for Piccadilly Complex can be terminated by either co-owner with a 90 day notice period. The remaining five properties (including wholly owned properties in Perth and Canberra as well as jointly owned properties, 10-20 Bond Street, Sydney, and 388 George Street, Sydney) are externally managed

- ***project management services:*** in relation to 11 wholly owned properties in Sydney/North Sydney and Brisbane, Investa Office Development Pty Limited (a subsidiary of IOM) under a Project Management Agreement dated 23 December 2014. The agreement specifies a minimum term of five years from commencement. The commencement dates vary by property and range from 24 July 2013 to 1 January 2015.

  In addition, IAMPL is responsible for the project management of four jointly owned properties that are held through trusts (242 Exhibition Street, Melbourne, 567 Collins Street, Melbourne, 126 Phillip Street, Sydney and the Piccadilly Complex, 133 Castlereagh Street, Sydney).

- ***development management services:*** in relation to 567 Collins Street, Melbourne, Investa Office Development Pty Ltd. The development was completed in July 2016 and the agreement expired on 31 August 2016.

  Development management services in relation to the redevelopment of 151 Clarence Street, Sydney, are provided pursuant to a Development Management Services Agreement dated 16 October 2012 (subsequently novated to Investa Office Development Pty Limited on 15 June 2015, and later amended on 2 April 2017). This agreement can be terminated in certain circumstances (including for the convenience by the owner, as well as by the owner on 7 days' notice where the Manager is in default of the agreement. The development of Barrack Place completed in early October 2018.

  Development management services in relation to IOF's interest in the major refurbishment of 388 George Street, Sydney, are provided by Investa Office Development Pty Limited pursuant to a Development Management Services Agreement dated 1 September 2017. The agreement will expire three months following practical completion of the project, or in certain circumstances including if the Manager is in default of the agreement, with one month's notice if the Owners are no longer proceeding with the project or with six months' notice at the Owner's discretion.

  Investa Office Developments Pty Limited is also providing development management services in relation to the potential opportunities at 105 Miller Street, North Sydney. The services are being provided by way of an hourly rate agreement, with a capped maximum spend. The services can be terminated by IOF with one month's notice.

- ***management commissioning services:*** in relation to 151 Clarence Street, Sydney, IAMPL, pursuant to an agreement dated 12 August 2016 and will terminate on the date of practical completion unless terminated earlier in accordance with the terms of the agreement.

- ***IAMPL is appointed as Joint Leasing Agent*** on 347 Kent Street, Sydney, 151 Clarence Street, Sydney and 105 Miller Street, North Sydney. The agreement for 347 Kent Street, Sydney is dated 1 November 2016 and has a term of 6 months which then extends to a rolling 6 monthly hold over. The agreement for 151 Clarence Street, Sydney is dated 26 October 2016 and has a term of 6 months which then extends to a rolling 6 monthly hold over. The agreement for 105 Miller Street, North Sydney is currently being negotiated with the Joint Agent and has not been signed.

- it does not currently have any other funds management, property management, lease services or project management agreements in place.

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6 November 2018

7.4 Fee structure

ILFML and other subsidiaries of IOM are entitled to certain fees in relation to the services provided to IOF as summarised in the following table.

Table 4: Summary of management fees payable by IOF

Type of fee or cost	Entitlement
Responsible entity fees	0.1375% of the previous quarter's VWAP market capitalisation, with a cap/floor representing +/- 2.5% of the prior quarter's invoiced fees
Project management fees	- For works <$51,000: 1.8% of the cost of capital works - For works $51,000 to $200,000: fixed at $3,600 - For works >$200,000: 1.8% payable on a sliding scale dependant on the project stage
Property management fees	
Management fees, general	The higher of, 2% of gross income or, $10 per square metre
Management fees, specific	- Piccadilly Complex, Sydney: 1% of gross income - 242 Exhibition Street, Melbourne: $435,000 p.a. - 567 Collins Street, Melbourne: $350,200 p.a. - 126 Phillip Street, Sydney: $607,704 p.a. - 347 Kent Street, Sydney: $270,000 p.a. - 6 O'Connell Street, Sydney: $245,000 p.a. - 99 Walker Street, North Sydney: $242,448 p.a.
Leasing fees	
Leasing fees, general	- New/relocation fees: 10% to 15% of first year income based on lease term less than 3 years to more than 7 years - Lease renewal fees: 7.5% of first year gross income - Fee for additional space: 7% of first year gross income - Fee for market rent review: 10% of first year gross income
Leasing fees, specific	- 242 Exhibition Street and 567 Collins Street, Melbourne: lease renewals are 5% to 7.5%. - 126 Phillip Street, Sydney: relocations 2.5% to 15%, lease renewals are 5% - Overrider 20% on all
Management Commission	- 151 Clarence Street, Sydney: $5,500 per month
Other fees	- Safety Health and Environmental Management Systems fee of $10,000 p.a. - Employment costs are on-charged in addition to the fees

Source: The Constitutions, Project and Property Management Agreements of IOF

7.5 Board of directors and senior management

IOM is responsible for appointing or removing the board members of ILFML, however, the appointment of independent directors is subject to ratification by the IOF Unitholders at an annual general meeting. IOF Unitholders have no ability to nominate, appoint or remove board members.

ILFML's current Board of Directors and senior management are summarised in the following table:

Table 5: IOF directors and senior management

Board members	Senior management
Richard Longes (Chairman and Non-Executive Independent Director) John Fast (Non-Executive Independent Director) Robert Seidler AM (Non-Executive Independent Director) Geoff Kleemann (Non-Executive Independent Director) Gai McGrath (Non-Executive Independent Director)	Penny Ransom (Group Executive, IOF Fund Manager)

Source: IOF Financial Statement for FY18

7.6 Investment property portfolio

Portfolio overview

IOF holds a portfolio of 20 investment-grade office properties located in CBD's throughout Australia. As at 30 June 2018 pro forma, the properties had a book value of approximately $4.4 billion.

Schedule 2. Independent Expert's Report

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6 November 2018

IOF's portfolio listing as at 30 June 2018 on a pro forma basis is summarised in the following table.

Table 6: IOF portfolio listing as at 30 June 2018

Property	Ownership percentage (%)	Grade	30-Jun-18 Pro forma book value ($m)	Capitalisation rate (%)	Percent of total (%)
Sydney and North Sydney					
Piccadilly Complex, Sydney[1]	50%	A	323.0	5.5%	7.3%
6 O'Connell Street, Sydney	100%	B	276.0	5.0%	6.2%
10-20 Bond Street, Sydney[2]	50%	A	310.3	5.0%	7.0%
388 George Street, Sydney[3]	50%	A	244.0	5.1%	5.5%
347 Kent Street, Sydney	100%	A	351.6	5.1%	7.9%
151 Clarence Street, Sydney[4]	100%	A	425.0	4.8%	9.6%
99 Walker Street, North Sydney	100%	A	267.0	5.6%	6.0%
105-151 Miller Street, North Sydney	100%	B	233.0	5.8%	5.3%
111 Pacific Highway, North Sydney	100%	A	236.4	6.0%	5.3%
Total			**2,666.1**	**5.3%**	**60.1%**
Brisbane					
239 George Street, Brisbane	100%	B	136.0	6.5%	3.1%
15 Adelaide Street, Brisbane	100%	B	60.5	7.5%	1.4%
140 Creek Street, Brisbane	100%	A	237.3	6.0%	5.4%
295 Ann Street, Brisbane	100%	B	138.4	6.3%	3.1%
232 Adelaide Street, Brisbane	100%	B	20.5	7.0%	0.5%
Total			**592.7**	**6.4%**	**13.4%**
Perth					
66 St Georges Terrace, Perth	100%	A	65.0	7.5%	1.5%
836 Wellington Street, Perth[5]	100%	A	91.3	6.3%	2.1%
Total			**156.3**	**6.8%**	**3.5%**
Canberra					
16-18 Mort Street, Canberra	100%	A	104.3	5.9%	2.4%
Total consolidated			**3,519.4**	**5.5%**	**79.4%**
126 Phillip Street, Sydney[6]	25%	Premium	258.8	4.8%	5.8%
567 Collins Street, Melbourne[7]	50%	Premium	330.2	5.0%	7.4%
242 Exhibition Street, Melbourne[8]	50%	A	326.5	5.0%	7.4%
Total equity accounted			**915.5**	**4.9%**	**20.6%**
Total investment property portfolio			**4,435.1**	**5.4%**	**100.0%**

Source: IOF management, table may not add due to rounding

Notes:

1. *Co-investor is Stockland*
2. *Co-investor is Mirvac Group*
3. *Co-investor is Brookfield*
4. *Development property as at 30 September 2018. Book value reflects revaluation as at 30 September 2018.*
5. *836 Wellington Street, Perth was settled effective 31 October 2018*
6. *Co-investors are ICPF (50%) and CIC (25%)*
7. *Co-investors is ICPF*
8. *Co-investor is ICPF*

During FY17, IOF completed the sale of the following B-grade Melbourne properties:

- 383 La Trobe Street on 17 January 2017 for $70.7 million, representing a 31% premium to book value, and
- 800 Toorak Road on 23 February 2017 for $140.5 million, at a 10.5% premium to book value.

On 18 July 2018, ILFML, as the responsible entity of IOF, announced that it had entered into a conditional agreement to sell 836 Wellington Street, Perth, for $91.325 million, representing a 20% premium to IOF's 31 December 2017 book value and a $2.325 million increase on the 31 May 2018 valuation. Settlement occurred on 31 October 2018.

The composition of IOF's investment property portfolio based on the 30 June 2018 pro forma by investment grade and location (by carrying value) is illustrated in the following charts.

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6 November 2018

Figure 4: IOF portfolio by investment grade

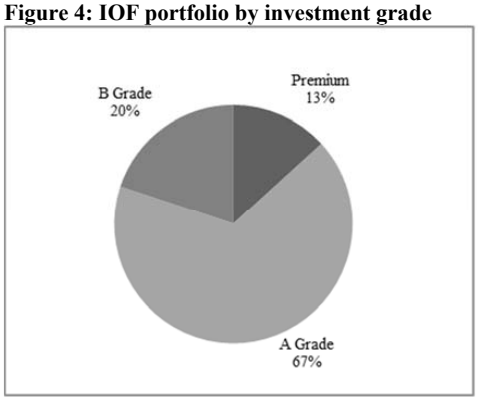
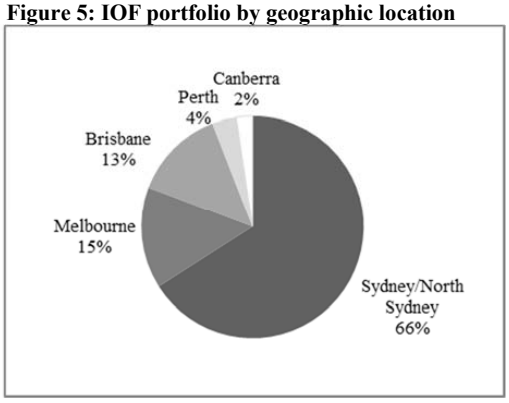


Figure 5: IOF portfolio by geographic location



Source: IOF management

The portfolio is heavily weighted towards A-grade office assets, which represented approximately 67% of the portfolio at 30 June 2018 pro forma. Additionally, around 81% of the portfolio is located in the strongly performing Sydney/North Sydney and Melbourne CBDs. IOF's exposures to office property in the weaker Brisbane, Perth and Canberra markets are 13%, 4% and 2%, respectively.

Development and refurbishments

IOF recently completed the $130 million development of 151 Clarence Street, Sydney (which reached practical completion in early October 2018). The 30 June 2018 pro forma book value reflects the revaluation of the property as at 30 September 2018.

As at 30 September 2018, IOF had three refurbishment projects planned or underway, each of which is located in the faster growing Sydney and Melbourne markets. The future capital requirements for these works is estimated to be $114 to $149 million as at 30 September 2018 (excluding incentives).

In relation to these refurbishment projects:

- the $34 million refurbishment of 242 Exhibition Street, Melbourne, commenced in October 2016 and is expected to be completed in May 2021, with an estimated remaining cost of $19 million (IOF's 50% share, excluding incentives) as at 30 September 2018
- 388 George Street, Sydney, is expected to commence in November 2018 upon the departure of IAG in October 2018 and take approximately 18 months to complete, with practical completion targeted for early 2020. A development application has been submitted for potential retail development of the King and George Street Forecourt. As at 30 September 2018, the estimated future capital requirement was approximately $55 to $85 million (IOF's 50% share, excluding tenant incentives). Non-binding heads of agreement have been signed with respect to 21,386 square metres (59%) of the existing office tower net lettable area on completion of the refurbishment, and
- 347 Kent Street, Sydney, is expected to commence at the end of ANZ's current lease in January 2019 and take 9 to 12 months to complete. As at 30 September 2018, the estimated future capital requirement was $40 to $45 million (excluding tenant incentives). ANZ has executed an agreement for lease over 17,143 square meters (64% of the building's total net lettable area) for five years from January 2019 (i.e. during the refurbishment period). A non-binding Heads of Agreement has been signed with tenants to lease over 6,019 square metres (22%) of net lettable area. Together, 86% of total net lettable area is fully committed or subject to a heads of agreement.

These projects are summarised in the following table.

Schedule 2. Independent Expert's Report

For personal use only

6 November 2018

Table 7: IOF development projects as at 30 September 2018

Property	Commence-ment date	Estimated completion date	Total cost[1]		Remaining cost[1]	
			Low	High	Low	High
Refurbishments						
242 Exhibition Street, Melbourne	Oct 16	May 21	34.0	34.0	19.0	19.0
388 George Street, Sydney	Nov 18	May 20	55.0	85.0	55.0	85.0
347 Kent Street, Sydney	Jan 19	Sept 19 to Dec 19	40.0	45.0	40.0	45.0
Total	**n/a**	**n/a**	**129.0**	**164.0**	**114.0**	**149.0**

Source: IOF management.
Note 1: IOF share, excluding incentives.

Co-investor agreements

A number of properties are held jointly with third parties under co-investor agreements. Certain agreements provide third parties with pre-emptive rights to acquire IOF's interest in the property under specified conditions. In particular, in the event of a change of control of IOF, Mirvac has a pre-emptive right to acquire IOF's 50% interest in 10-20 Bond Street, Sydney.

Key statistics

A summary of the key statistics of the Australian portfolio as at 30 June 2014, 30 June 2015, 30 June 2016, 30 June 2017, 30 June 2018 and 30 September 2018 is presented in the following table.

Table 8: IOF portfolio summary

As at	30-Jun-14	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18	30-Sep-18
WACR[1] (by book value)[2]	7.3%	6.9%	6.2%	5.7%	5.5%	5.4%
Occupancy (by income)[2]	93%	93%	96%	97%	97%	95%
Tenant retention (by income)[2]	68%	62%	77%	85%	76%	59%
Weighted average lease expiry	5.0 years	5.2 years	4.8 years	5.1 years	4.9 years	5.2 years
Number of investments	23	22	22	20	20	20

Source: IOF Results Presentations for FY15, FY16, FY17 and FY18, IOF management.
Notes:
1. *Weighted average capitalisation rate based on 30 June 2018 pro forma book values.*
2. *Excludes properties under development and includes 836 Wellington Street, Perth.*

From 30 June 2014 to 30 September 2018, the performance of IOF's portfolio improved substantially:

- weighted average capitalisation rate (by book value) compressed substantially from 7.3% to 5.4%, reflecting compression across all markets, however, we note that the rate of compression has declined since 30 June 2017
- occupancy increased from 93% to 97% at 30 June 2018, mainly as a result of reduced vacancies in Brisbane and with the majority of vacancies at 30 June 2018 in Perth (20.5%) and Brisbane (5.6%), before decreasing to 95% at 30 September 2018 mainly as a result of the vacation of tenants on expiration of leases at 10-20 Bond Street, Sydney and 6 O'Connell Street, Sydney
- tenant retention increased from 68% to 85% at 30 June 2017 (an unusually high level as a result of two whole of building lease renewals) then declined to 59% at 30 September 2018, and
- weighted average lease expiry (WALE) remained relatively steady.

In the 15 months to 30 September 2018, leasing risk at Barrack Place, 151 Clarence Street, Sydney, was substantially reduced as IOF entered into lease agreements with tenants. The most recent agreement was with Washington H. Soul Pattinson and Company Limited (Soul Pattinson) in September 2018 and increased pre-commitments to 93% of the total net lettable area with a weighted average lease term of 9.6 years.

Lease expiry profile

IOF's lease expiry (by income) as at 30 September 2018 is illustrated in the following chart.

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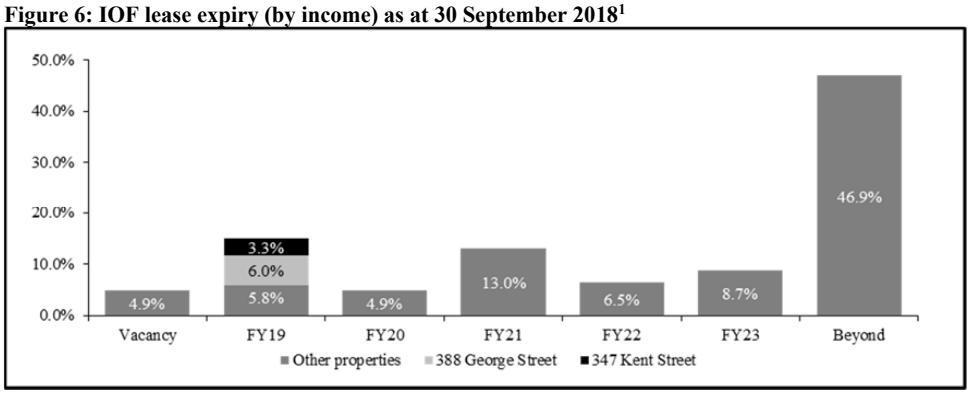
6 November 2018

Figure 6: IOF lease expiry (by income) as at 30 September 2018[1]



Source: IOF management.
Note 1: Excludes Heads of Agreement and 151 Clarence Street, Sydney but includes 836 Wellington Street, Perth

As at 30 September 2018, a number of leases had either expired or were due to expire by the end of FY19. Approximately 19.9% of income is at risk, comprising current vacancies (4.9%) and leases (mainly in relation to properties to be refurbished, 388 George Street, Sydney and a portion of net lettable area of 347 Kent Street, Sydney) due to expire in FY19 (15.0%).

Property lease expiries to FY21 (as at 30 September 2018) are presented in the following table.

Table 9: IOF property lease vacancies and expiry summary to FY21 (as at 30 September 2018)

Property	Location	Tenant	Area (sqm)[1]	Expiry
Vacant				
10 - 20 Bond Street	Sydney	na[2]	5,267	Vacant
6 O'Connell Street	Sydney	na	2,050	Vacant
15 Adelaide Street	Brisbane	na	2,228	Vacant
239 George Street	Brisbane	na	3,229	Vacant
66 St Georges Terrace	Perth	na	5,863	Vacant
FY19				
388 George Street	Sydney	IAG	35,817	Oct-18
347 Kent Street	Sydney	ANZ	7,665	Jan-19
10 - 20 Bond Street	Sydney	AICD	3,071	Dec-18
15 Adelaide Street	Brisbane	Federal Government	2,167	Mar-19
10 - 20 Bond Street	Sydney	Hudson	2,903	Jun-19
FY20				
222 Pitt Street (Piccadilly)	Sydney	The Uniting Church	4,940	Jul-19
133 Castlereagh Street (Piccadilly)	Sydney	GHD Services	3,739	Dec-19
111 Pacific Highway	North Sydney	NBN	3,723	Jan-20
133 Castlereagh Street (Piccadilly)	Sydney	Energy and Water Om	1,236	Nov-19
FY21				
105 - 151 Miller Street	North Sydney	NAB	27,158	Sep-20
295 Ann Street	Brisbane	QLD State Governmer	11,196	Nov-20
10 - 20 Bond Street	Sydney	The Trust Company	3,444	Apr-21
10 - 20 Bond Street	Sydney	JWS Services	2,521	Jun-21

Source: IOF management. Table includes only expiries that have not been replaced.
Notes:
1. *Building area is shown on a 100% basis.*
2. *Not applicable*

Tenant composition

The composition of tenants is relatively concentrated. IOF's largest three tenants (ANZ Banking Corporation, Telstra Corporation and the Commonwealth of Australia) represented 29.9% of the portfolio (by income) as at 30 September 2018.

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6 November 2018

7.7 Financial performance

The financial performance of IOF for FY16, FY17 and FY18 is summarised in the following table.

Table 10: Financial performance of IOF

Period $ million unless otherwise stated	FY16 Audited	FY17 Audited	FY18 Audited
NPI[1]	**200.1**	**201.2**	**197.7**
Responsible entity's fees	(12.3)	(13.5)	(14.8)
Other expenses[2]	(2.2)	(3.1)	(2.6)
EBIT	**185.6**	**184.6**	**180.3**
Net interest expense	(42.4)	(37.8)	(35.6)
Amortisation of incentives	32.3	36.0	39.8
Other income/(expenses)	0.1	(0.2)	(0.5)
FFO[3]	**175.6**	**182.6**	**184.0**
Net gain/(loss) on change in fair value of:			
Investment properties[4]	316.2	360.4	409.8
Derivative financial instruments[5]	56.5	(47.5)	(6.4)
Net foreign exchange gain/(loss)	(14.4)	15.1	(17.1)
Amortisation of incentives	(32.3)	(36.0)	(39.8)
Straight lining of lease revenue	(3.6)	(3.8)	(10.6)
Transaction costs	(5.5)	(2.5)	(4.2)
Other	1.3	3.3	5.9
Net profit attributable to IOF Unitholders	**493.8**	**471.6**	**521.6**
Statistics			
NPI growth	*5.8%*	*0.5%*	*(1.7%)*
Like-for-like NPI growth[6]	*3.1%*	*4.7%*	*2.1%*
Look through interest cover ratio (times)[7]	*4.3x*	*4.8x*	*4.9x*

Source: IOF Annual Reports for FY16, FY17 and FY18, and IOF management

Notes:

1. *NPI is net property income and includes consolidated and equity accounted properties*
2. *Other includes ASX listing fees, audit fees, external valuation fees, legal and tax consultant fees, as well as disposal costs for 800 Toorak Street and 383 La Trobe Street.*
3. *Property Council FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in December 2017*
4. *Includes the fair value of investment properties held by IOF and investment properties held through equity accounted investments*
5. *Includes the fair value of derivatives held by the Group and derivatives held by equity accounted investments*
6. *Includes properties owned for the full 12 month period, excludes the impact of changes in ownership and developments*
7. *Calculated as earnings before interest and tax (EBIT) divided by net interest expense*

In relation to the financial performance of IOF, we note:

- NPI remained broadly stable in FY17 as growth in the Sydney and Brisbane markets was offset by two divestments (383 La Trobe Street and 800 Toorak Street, Melbourne) and the redevelopment of Barrack Place, 151 Clarence Street, Sydney. Excluding the impact of these transactions, like-for-like NPI increased by 4.7% as a result of a 1% increase in occupancy across the portfolio (to 97%) and lease increases
- in FY18, NPI declined by 1.7% as a result of the abovementioned divestments and like-for-like NPI growth slowed to 2.1% as strong like-for-like NPI growth in Sydney (3.0%) and North Sydney (4.2%) was partially offset by an increase in incentive amortisation at 140 Creek Street, Brisbane and 836 Wellington Street, Perth (previously nil). Excluding these assets, like-for-like NPI growth was 3.3%
- responsible entity fees were 9.6% higher in FY18 as a result of strong growth in IOF's market capitalisation. In line with the fee structure, the fee was capped at 2.5% per quarter. Further detail on this pricing structure is found in Section 7.4 of this report
- other expenses in FY18 of $2.6 million includes fees relating to external service providers (e.g. audit, tax, legal, valuation, consulting, property due diligence), public company costs and other expenses. In addition, IOF incurred $4.2 million of transaction costs in FY18 in relation to the Blackstone Proposal, $2.5 million in FY17 related to the IOM Joint Venture Proposal and $5.5 million in FY16 related to the DEXUS Proposal

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6 November 2018

- net interest expense decreased in FY17 as IOF reduced gearing to support future capital expenditure and decreased slightly in FY18. The weighted average cost of debt remained relatively stable from FY16 to FY18. Look-through interest cover of 4.9 times in FY18 was well above covenants (2.5 times)
- IOF is exposed to interest rate risk on its floating rate loans and interest rate and foreign exchange risk on the USPPs. It hedges these risks using interest rate derivative contracts and cross currency interest rate swaps. In each period, foreign exchange gains/(losses) resulting from the translation of US dollar denominated debt were largely offset by (losses)/gains in the mark-to-market of the cross currency interest rate swaps
- all properties were independently valued at 31 May 2018, resulting in a $316.1 million (7.9%) uplift in the carrying value of the portfolio from 31 May 2018. Asset values in Sydney, North Sydney, Melbourne and Perth increased by 11.6%, 7.4%, 4.9% and 8.5%, respectively. Growth in the Sydney market reflects capitalisation rate compression (41% of the uplift) and market rental growth, with significant leasing and development activity. Growth in the North Sydney market reflects capitalisation rate compression (23% of uplift), higher market rents and reduced incentives. Growth in the Melbourne market reflects market rental growth, with capitalisation rates unchanged, while growth in the Perth market reflects strong interest in 836 Wellington Street, Perth since the asset divestment campaign began in Q2 2018. As a result of these valuation uplifts, net profit attributable to IOF Unitholders in FY18 increased by 10.6% to $521.6 million, and
- under the current income tax legislation, IOF is not liable for Australian income tax as IOF Unitholders are presently entitled at year end to the income of the trust calculated in accordance with the Constitutions and applicable tax law.

Distributions

Distributions paid or declared by IOF for FY16, FY17 and FY18 are set out in the following table.

Table 11: IOF distributions

Period $ million unless otherwise stated	FY16 Audited	FY17 Audited	FY18 Audited
Weighted average number of Units entitled to distributions (000s)	614,047	614,047	602,085
FFO	175.6	182.6	184.0
Less:			
Maintenance capital expenditure	(6.7)	(10.5)	(13.2)
Total incentives	(31.7)	(37.1)	(52.1)
AFFO	137.2	135.0	118.7
Distributions for the period	120.4	124.0	121.4
Basic and diluted earnings per Unit (cents)	80.4	76.8	86.6
FFO per Unit (cents)	28.6	29.7	30.6
AFFO per Unit (cents)	22.3	22.0	19.7
Distributions per Unit (cents)	19.6	20.2	20.3
Payout ratio (FFO basis)[1]	69%	68%	66%
Payout ratio (AFFO basis)[2]	88%	92%	102%

Source: IOF Annual Reports for FY16, FY17 and FY18; KPMG Corporate Finance analysis

Notes

1. *Payout ratio was calculated as distributions per IOF Unit divided by FFO per IOF Unit*
2. *Payout ratio was calculated as distributions per IOF Unit divided by AFFO per IOF Unit*

In FY17, FFO per IOF Unit increased by 4.0%, however, AFFO per IOF Unit declined by 1.3% as a result of a 17.0% increase in lease incentives provided for new leases at 126 Phillip Street and 242 Exhibition Street and a 56.7% increase in maintenance capital expenditure.

While FFO increased marginally by 0.8% in FY18, FFO per IOF Unit increased by 3.0% predominantly reflecting the positive impact of the buyback as well as the performance of the portfolio over the year.

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However, AFFO per IOF Unit declined by 10.5% as a result of a 40.4% increase in lease incentives[40] and a 25.7% increase in maintenance capital expenditure largely resulting from 'end of life' projects at 347 Kent Street, Sydney, 239 George Street, Brisbane and 6 O'Connell Street, Sydney.

Since FY15, IOF has targeted a distribution payout ratio of 95% to 100% of AFFO through the cycle (previously 90% to 100%). From FY12 to FY17 inclusive, IOF paid out average distributions of 91% of AFFO. In FY16 and FY17, the AFFO payout ratio was below this target in anticipation of the FY19 lease expiry profile and refurbishment activity. In FY18, distributions increased only marginally as they were constrained by the AFFO decline. In order to maintain distribution per IOF Unit the payout ratio increased to 102% of AFFO.

FY19 guidance

FFO guidance for FY19 is 29.2 cents per IOF Unit, a 4.6% decrease on FY18. This reflects reduced income due to:

- downtime due to the refurbishment activity at 388 George Street and 347 Kent Street, Sydney
- divestment of 836 Wellington Street, Perth, which settled on 31 October 2018, and
- increased finance costs associated with anticipated higher capital expenditure.

This is partially offset by increased income due to:

- anticipated make good receipts for both 388 George Street and 347 Kent Street, Sydney
- completion of the development of 151 Clarence Street, Sydney, with staged occupancy from October 2018, and
- like-for-like NPI growth of around 2.0% (excluding 388 George Street and 347 Kent Street, Sydney, 836 Wellington Street, Perth and Barrack Place, 151 Clarence Street, Sydney) and FFO growth of 2.2% on the same basis.

AFFO is also anticipated to be impacted in FY19 by elevated incentive capital expenditure (between $70 million and $75 million) and maintenance capital expenditure (between $25 million and $30 million) relating to the abovementioned projects and other leasing activity. This guidance is subject to prevailing market conditions and assumes no further acquisitions or disposals, other than the divestment of 836 Wellington Street, Perth (which settled on 31 October 2018). Subject to the same conditions, distribution guidance for FY19 is 20.3 cents per IOF Unit.

7.8 Financial position

The audited financial position of IOF as at 30 June 2016, 30 June 2017, 30 June 2018 and the pro forma financial position as at 30 June 2018 (adjusted for certain post balance sheet events described below and in Section 4.6 of the Explanatory Memorandum) is summarised in the following table.

[40] Including in relation to Telstra lease renewal at 242 Exhibition Street, Sydney, Commonwealth Government lease renewal at 836 Wellington Street, Perth and new leases at 140 Creek Street, Brisbane and 295 Ann Street, Brisbane.

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6 November 2018

Table 12: Financial position of IOF

As at $ million unless otherwise stated	30 June 2016 Audited	30 June 2017 Audited	30 June 2018 Audited	30 June 2018 Pro-forma
Cash and cash equivalents	2.1	4.0	3.8	3.8
Trade and other receivables	12.6	8.1	9.1	9.1
Derivative financial instruments	-	0.9	0.8	0.8
Assets classified as held for sale[1]	70.5	-	91.3	-
Current assets	**85.2**	**13.0**	**105.0**	**13.7**
Investment properties	2,752.9	2,973.2	3,349.6	3,428.3
Equity accounted investments	801.8	848.6	915.7	915.7
Derivative financial instruments	143.5	88.2	81.6	91.5
Non-current assets	**3,698.2**	**3,910.0**	**4,346.9**	**4,435.5**
Total assets	**3,783.4**	**3,923.0**	**4,451.9**	**4,449.2**
Trade, other payables and provisions	25.7	24.2	26.4	26.4
Borrowings	337.0	125.0	50.0	50.0
Derivative financial instruments	4.2	1.7	-	-
Distribution payable	60.2	62.6	60.7	-
Current liabilities	**427.1**	**213.5**	**137.1**	**76.4**
Derivative financial instruments	7.8	3.4	4.9	4.9
Borrowings	752.2	762.2	1,035.9	1,089.1
Total non-current liabilities	760.0	765.6	1,040.8	1,094.0
Total liabilities	**1,187.1**	**979.1**	**1,177.9**	**1,170.4**
Net assets	**2,596.3**	**2,943.9**	**3,274.0**	**3,278.8**
Statistics				
Number of stapled securities ('000)[2]	*614,047*	*614,047*	*598,419*	*598,419*
NTA per Unit ($)[3]	*4.23*	*4.79*	*5.47*	*5.48*
Gearing (look-through)[4]	*27.7%*	*21.4%*	*23.0%*	*24.1%*

Source: IOF Annual Reports for FY16, FY17 and FY18 and FY18 pro forma; KPMG Corporate Finance analysis

Notes:

1. *Assets held for sale at 30 June 2016 relates to 383 La Trobe Street, Melbourne, for which settlement occurred in January 2017. Assets held for sale at 30 June 2018 is 836 Wellington Street, Perth which settled on 31 October 2018.*
2. *IOF Units are as at period end.*
3. *NTA per IOF Unit calculated as net tangible assets divided by the number of IOF Units at period end.*
4. *Look-through gearing is determined as total look-through debt divided by total look through assets. Total look-through debt is based on the A$ exposure of the USPPs after applying cross currency hedging arrangements. Total look-through assets comprise total assets adjusted for fair value of foreign currency derivatives. IOF's interest in joint venture arrangements and associates are proportionately consolidated based on IOF's ownership interest.*

In relation to the pro forma financial position of IOF as at 30 June 2018, we note:

- IOF's 20 investment properties as at 30 June 2018 include direct ownership interests in 17 properties that are consolidated ($3,349.6 million) and three properties that are held through trusts and are equity accounted ($915.7 million). Investment properties have been adjusted for:
  - sale of 836 Wellington St, Perth which settled on 31 October 2018
  - capital expenditure of $36.5 million incurred for 151 Clarence St, Sydney in the three months to 30 September 2018, and
  - the revaluation increase for 151 Clarence St, Sydney, which was independently valued on 30 September 2018.
- fair value movements on derivative financial instruments have been made based on actual fair value movements for the three months to 30 September 2018
- distribution of $60.7 million, which was paid on 27 August 2018
- US dollar denominated borrowings adjusted by the foreign currency translation for the three months to 30 September 2018
- borrowings have also been adjusted for:
  - payment of the June 2018 distribution of $60.7 million on 27 August 2018; and
  - receipt of the net proceeds from the sale of 836 Wellington St, Perth of $89.8 million

Schedule 2. Independent Expert's Report

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- transaction costs in connection with the Oxford and Blackstone proposals post 30 June 2018, which are forecast to be $35.5 million (including a break fee payable to Blackstone of $32 million as a result of termination of the Blackstone SIA)[41]
- the funding of development capital expenditure for 151 Clarence Street, Sydney for the three months to 30 September 2018

- transaction costs for the Oxford Proposal which have not been included in the pro forma financial position include $12.5 million which may be payable to J.P. Morgan Australia Limited as financial adviser to IOF if the Proposal Resolutions are approved by the requisite majorities of IOF Unitholders
- equity accounted investments include:

Table 13: Equity Accounted Investments

Equity accounted investment (ownership interest %)	Underlying property (ownership interest %)	FY18 Audited
242 Exhibition Street Trust (50%)	242 Exhibition Street, Melbourne (100%)	326.5
Phillip Street Trust (25%)	126 Phillip Street, Sydney (55%)	141.1
Macquarie Street Trust (25%)	126 Phillip Street, Sydney (45%)	117.2
567 Collins Street Trust (50%)	567 Collins Street, Melbourne (100%)	330.9
Total		**915.7**

Source: IOF management

- as at 30 June 2018, IOF had commitments for capital expenditure on investment properties for which no provision had been made of $42.4 million
- NTA increased strongly from $4.23 at 30 June 2016 to $5.48 at 30 June 2018 (pro forma), predominantly as a result of:
  - substantial increases in property valuations
  - other increases in retained earnings, and
  - a share buy-back in FY18 under which IOF purchased 15,628,473 IOF Units for a total value of $70.1 million, partly offset by
  - movement in amortisation of tenant incentives and fair value movements on derivatives and foreign currency translation of USPPs.

Interest bearing liabilities

IOF has access to diverse capital markets. Details of the pro forma committed financing facilities available and debt maturity profile of IOF as at 30 June 2018 are set out in the following table.

Table 14: IOF financing facilities as at 30 June 2018

$ million	Total facility	Amount drawn	Available facility	Maturity	Security
Bank debt (A$)	816.0	500.0	316.0	Jun'19 - Feb'23	Unsecured
Medium term notes (A$)	150.0	150.0	-	Apr'24	Unsecured
USPP (US$)[1]	439.7	439.7	-	Apr and Aug'25, Apr'27 and Apr'29	Unsecured
Total borrowings	**1,405.7**	**1,089.7**	**316.0**		
Less: capitalised borrowing costs		(3.8)			
Balance sheet debt		**1,085.9**			

Source: IOF management
Note 1: USPP debt is denominated in US$, and converted to A$ at the prevailing exchange rate at period end

As at 30 June 2018, IOF had $316 million of undrawn facilities and the weighted average maturity on IOF's borrowings was 4.4 years.

[41] In addition to the $4.2 million of transaction costs incurred in FY18.

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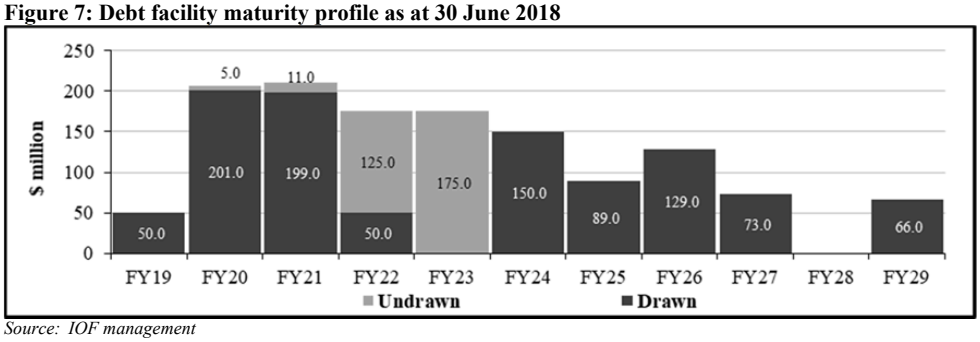
6 November 2018

The debt facility maturity profile is set out in the following figure.

Figure 7: Debt facility maturity profile as at 30 June 2018



Source: IOF management
Note 1: The debt facility maturity profile represents the Group's look-through drawn debt, based on the Australian dollar exposure on the US Private Placements after applying cross currency swap hedging arrangements

As at 30 June 2018, IOF had $50 million of bank debt expiring in FY19, with an additional $206 million and $210 million of bank debt due to expire in FY20 and FY21.

IOF has a BBB+ Standard & Poor's credit rating. On 14 June 2018, Standard & Poor's placed IOF on 'negative' credit watch as the Blackstone SIA indicated that Blackstone had the ability to prepay the existing debt of IOF and withdraw the credit rating. On 14 September 2018, this rating was changed to 'developing' following Oxford's unsolicited, non-binding, indicative and conditional proposal.

IOF targets look-through gearing in the range of 25% to 35%. Gearing declined from 30 June 2016 to 30 June 2017 as a result of the sale of the two Melbourne properties. As at 30 June 2018, look-through gearing of 23.0% was below the target range.

The financial covenants relating to IOF's debt facilities, together with its actual performance with respect to each of these covenants, are set out in the following table.

Table 15: Financial covenants

Financial covenant	Covenant	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18
Bank debt, medium term notes and USPP					
Look through gearing ratio[1]	less than 50%	33.1%	31.4%	25.1%	25.2%
Look through interest cover	greater than 2.5x	4.4x	4.3x	4.9x	4.9x

Source: IOF Management
Note 1: Calculated as total liabilities divided by total assets on a look through basis

Interest rate swaps

IOF uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risk on borrowings (some of which is denominated in US dollars). IOF's policy is to hedge 50% to 80% of interest rate exposures occurring in the first three years, 20% to 60% of exposures occurring between four and five years and between nil and 60% of exposures occurring after five years. As at 30 June 2018, interest rate exposures were 77.9% hedged. The net balance (mark-to-market) of derivatives as at 30 June 2018 was an asset of $77.5 million.

7.9 Capital structure

As at 28 September 2018, IOF had 598,418,985 IOF Units on issue and 12,130 registered IOF Unitholders. The top 10 registered IOF Unitholders accounted for 84.3% of IOF Units on issue and retail investors (holdings of less than 10,000 IOF Units) accounted for 5.3% of IOF Units on issue.

Substantial IOF Unitholders based on ASX announcements lodged on or prior to 31 October 2018 are presented in the following table:

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6 November 2018

Table 16: Substantial IOF Unitholders of IOF as at 31 October 2018

Name of substantial Unitholder	Date of notice	Number of Units held	Percentage of issued capital
OMERS Administration Corporation	13 September 2018	119,667,397	19.9973%[1]
The Vanguard Group, Inc	11 March 2016	50,058,157	8.15%

Source: ASX Website, substantial holder notifications as at 31 October 2018
Note 1: Updated to reflect the impact of the on-market buyback of IOF Units.

Directors' interests

As at 30 June 2018, the Directors of IOF held the following IOF Units (directly or indirectly).

Table 17: Director's relevant interests at 31 October 2018

Name	Position	No. of IOF Units
Richard Longes	Independent Non-Executive Chairman	15,000
John Fast	Independent Non-Executive Director	15,000
Geoffrey Kleemann	Independent Non-Executive Director	15,000
Robert Seidler	Independent Non-Executive Director	11,579
Gai McGrath	Independent Non-Executive Director	2,000

Source: IOF management

7.10 IOF Unit price performance

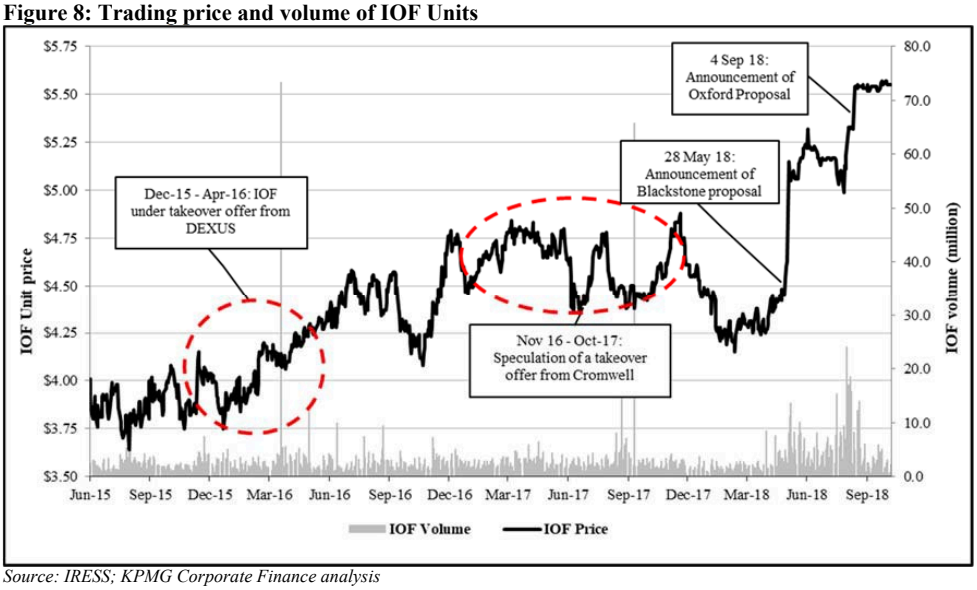
7.10.1 Sharemarket trading

The IOF Unit price increased strongly from a low of $3.00 on 6 February 2014 to reach a high of $4.60 on 22 July 2016, mainly reflecting:

- IOF's consistently strong valuation uplifts and distribution growth driving higher returns for IOF Unitholders
- positive re-rating of the A-REIT sector, with a historically low cash rate increasing demand for higher yielding securities such as REITs and depreciation of the Australian dollar increasing the attractiveness of Australian property to foreign investors, and
- speculation as to consolidation in the sector, including in relation to IOF (in particular, DEXUS' offer to acquire all of the IOF Units announced on 7 December 2015, which was ultimately rejected by IOF Unitholders in April 2016).

The trading price and volume of IOF Units from 1 July 2015 to 31 October 2018 is set out as follows.

Figure 8: Trading price and volume of IOF Units



Source: IRESS; KPMG Corporate Finance analysis

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6 November 2018

Heavy trading volume on 12 April 2016 reflects Cromwell's acquisition of a 9.83% interest in IOF from CBRE Clarion Securities LLC.

The IOF Unit price declined in October and November 2016 in line with other A-REITs and reached a low of $3.99 on 14 November 2016. The IOF Unit price then increased strongly to reach a high of $4.85 on 28 December 2016 and remained elevated until August 2017, trading broadly within a range of $4.35 to $4.85. The elevated, albeit volatile, trading was likely influenced by:

- continued strong growth in property valuations and outperformance of the office A-REIT sector
- in August 2016, the value of IOF's commercial office assets exceeded $3.5 billion and ICPF offered to IOF a 50% interest in IOMH (Joint Venture Proposal), which was rejected by IOF Unitholders on 31 May 2017
- speculation as to a potential takeover offer from Cromwell from November 2016 until October 2017[42]
- the IOF Unit price reached a high of $4.89 on 24 March 2017 following the announcement of the sale of 800 Toorak Road for a 10.5% premium to the 30 June 2016 book value.

Heavy trading on 4 October 2017 relates to Cromwell's sale its 9.83% interest in IOF to IPG at $4.65 per IOF Unit, increasing IPG's interest in IOF to 19.95%.

The IOF Unit price reached a high of $4.89 on 7 and 14 December 2017 in line with increases in the A-REIT Index. The increase may also reflect:

- announcement on 1 November 2017 of a new Heads of Agreement with tenants, in particular with ANZ at 347 Kent Street for five years from the current lease expiry of January 2019[43]
- announcement on 6 December 2017 that it had signed Pfizer Australia Pty Ltd as a tenant at Barrack Place, increasing pre-commitments to 57% of total net lettable area
- the announcement on 14 December 2017 of strong valuation uplifts across the portfolio (including an increase of between $78 million and $83 million for five properties across Sydney and Brisbane representing 23% of IOF's portfolio at December 2017)[44]
- IOF's ongoing share buy-back program from August 2017 to December 2017, and
- IOF Units trading 'cum distribution' until 29 December 2017 (ex-distribution date).

From the high on 14 December 2017, the IOF Unit price declined by around 15.5% to reach a low of $4.13 on 7 March 2018, broadly tracking the A-REIT Index. This decline may have reflected:

- increases in government bond yields in early 2018, making A-REITs less attractive and increasing borrowing costs
- an increase in the A$/US dollar exchange rate, making Australian dollar investments more expensive for foreign investors
- a slowdown in the rate of compression of capitalisation rates, and
- IOF Units trading ex distribution (for IOF: 29 December 2017).

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[42] On 30 November 2016, ILFML advised that it had received a highly conditional, non-binding and indicative letter from Cromwell referring to the conditional possibility of an arrangement to acquire all of the IOF Units for $4.45 per IOF Unit in cash. ILFML did not grant due diligence as it considered that that the offer price undervalued IOF. On 4 April 2017, ILFML advised that it had received an unsolicited, indicative and non-binding proposal from Cromwell to acquire all of the IOF Units for $4.85 per IOF Unit (inclusive of a 10.0 cent distribution). After signing a confidentiality agreement with ILFML and commencing due diligence, Cromwell did not proceed to make a binding offer and sold its interest in IOF to IPG on 4 October 2017, increasing IPG's interest in IOF to 19.95%.

[43] ASX announcement on 1 November 2017.

[44] IOF 1H18 Results Presentation, pg. 7.

Schedule 2. Independent Expert's Report

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6 November 2018

The IOF Unit price subsequently increased, closing at $4.63 on 25 May 2018, the last trading day prior to the announcement of the initial Blackstone Proposal (for cash consideration of $5.1485 per IOF Unit[45]). In the month to 25 May 2018, IOF Units traded in the range of $4.27 to $4.64 at a VWAP of $4.44, which represented a 10.3% discount to NTA at 31 December 2017 of $4.95.

The IOF Unit price increased strongly to close at $5.15 on 28 May 2018, then traded in the range of $5.05 to $5.26 until the announcement on 26 June 2018 of the property valuations as 31 May 2018, which indicated a 7.9% uplift in the carrying value of the portfolio at 31 May 2018 and a pro forma NTA as at 31 December 2017 of $5.48 per IOF Unit. Trading during this time may also have reflected speculation that Blackstone would increase its offer or that another bidder would make a superior proposal.

From a close of $5.22 on the ex-distribution date of 28 June 2018, the IOF Unit price has increased by 6.3% to close at $5.55 on 31 October 2018. This increase reflects the numerous offers received from Blackstone and Oxford, as summarised in Section 5.1 of this report.

7.10.2 Liquidity

An analysis of the volume of trading in the IOF Units, including the volume weighted average price (VWAP) for the period up to 25 May 2018 (the last trading day before the announcement of the Proposal) and the period after this date until 31 October 2018, is set out in the following table.

Table 18: Volume of trading in IOF Units

Period	Price (high) ($)	Price (low) ($)	Price VWAP ($)	Cumulative value ($ million)	Cumulative volume (million)	% of issued capital
28 June 2018[1] to 31 October 2018	5.58	4.97	5.30	2,291.4	432.6	72.3%
26 June 2018[2] to 27 June 2018	5.39	5.22	5.29	40.5	7.7	1.3%
28 May 2018[3] to 25 June 2018	5.26	5.05	5.12	607.3	118.5	19.8%
Period ended 25 May 2018[4]						
1 day	4.64	4.57	4.62	11.7	2.5	0.4%
1 week	4.64	4.42	4.52	62.1	13.7	2.3%
1 month	4.64	4.27	4.44	271.1	61.1	10.2%
3 months	4.64	4.13	4.35	609.0	140.0	23.4%
6 months	4.89	4.13	4.44	1,130.4	254.4	42.5%
12 months	4.89	4.13	4.51	2,941.4	651.8	108.9%

Source: IRESS; KPMG Corporate Finance analysis

Notes:

1. *28 June 2018 is the ex-distribution date*
2. *26 June 2018 is the date on which 31 May 2018 property valuations were announced*
3. *28 May 2018 is date of announcement of Proposal*
4. *25 May 2018 represents the last trading day prior to the announcement of the Proposal*

During the 12 month period prior to 25 May 2018, 108.9% of issued IOF Units were traded. This level of liquidity indicates that there is an active market for IOF Units notwithstanding IOF's limited free float of 80.0027% (based on ICPF's 19.9973% substantial holding).

From 28 June 2018 (the ex-distribution date) until 31 October 2018, IOF has traded in a range of $4.97 to $5.58, reflecting the increased proposal consideration by Blackstone and competing proposals by Oxford. The low price of $4.97 occurred on 21 August 2018 following ILFML's announcement that ICPF intended to vote its 19.9773% interest in IOF against the Blackstone Proposal. 72.3% of issued IOF Units were traded over this period, likely as a result of the Blackstone and Oxford proposals.

7.10.3 Relative IOF Unit price performance

IOF is a member of a number of various indices, including the S&P/ASX 200 Index (ASX 200 Index) (0.2%) and A-REIT 200 Index (2.9%). The performance of IOF Units from 1 July 2015 to 31 October 2018, relative to the ASX 200 Index and A-REIT Index (rebased to 100) is illustrated in the following chart.

[45] Taking into account the distribution paid in respect of the half-year ending 30 June 2018, and less any further distributions declared or paid by IOF on or after 4 May 2018 and prior to implementation of the Blackstone Proposal.

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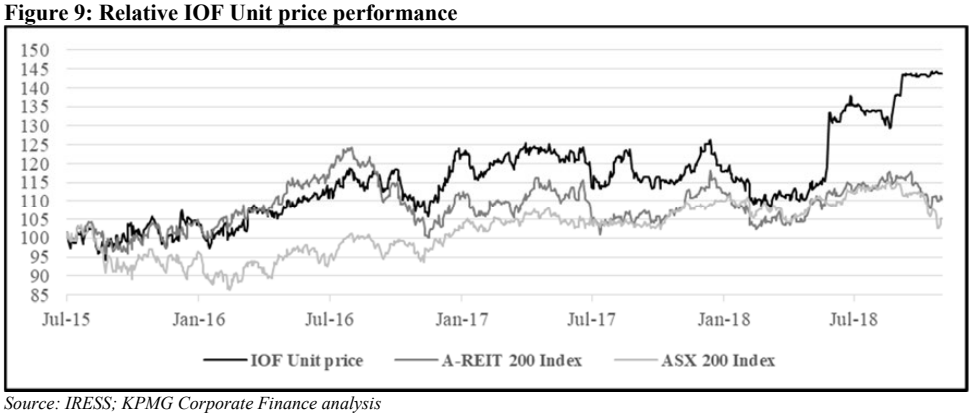
6 November 2018

Figure 9: Relative IOF Unit price performance



Source: IRESS; KPMG Corporate Finance analysis

The IOF Unit price generally mirrored the broader A-REIT Index up to around October 2016, each outperforming the ASX 200 Index until August 2016 as record low interest rates coupled with the availability of credit, as well as tightening bond yields and volatile equity markets resulted in inventors paying a premium to purchase higher yielding asset classes such as property and infrastructure.

From October 2016 until September 2017, the IOF Unit price outperformed the broader A-REIT Index as a result of the outperformance of the office sector (particularly in Sydney) relative to the overall A-REIT sector and substantial increases in office property valuations. In addition, this period coincided with speculation as to a potential higher offer price from Cromwell, the potential for a partial internalisation of the management rights, announcement of the sale of 800 Toorak Road for a significant premium.

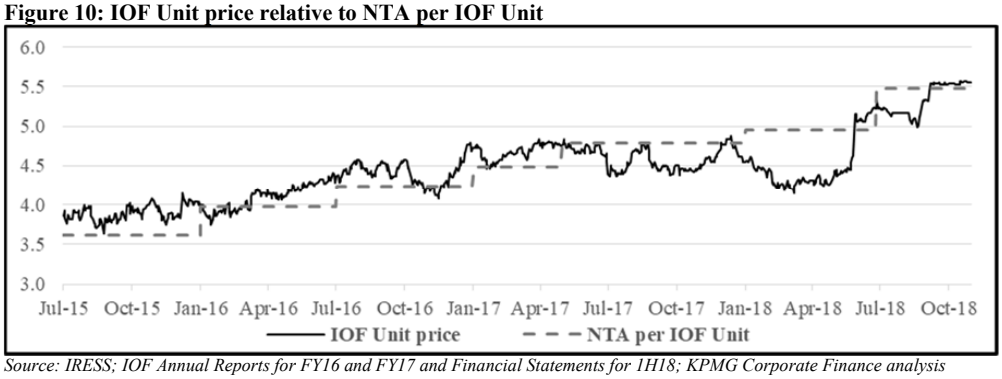
In August to December 2017, IOF and the A-REIT Index outperformed the ASX 200 Index as securities traded cum distribution. This period also coincided with IOF's share buyback program and de-risking of the portfolio by entering into leasing agreements with tenants. From December 2017 until March 2018 IOF Unit price broadly tracked the A-REIT sector in decline before increasing strongly on 28 May 2018 on the initial Blackstone Proposal.

From May 2018 until 31 October 2018, IOF has outperformed the A-REIT sector and the ASX 200 Index following the increased price offers from Blackstone during May 2018 and August 2018 as well as the competing proposal from Oxford during September/October 2018.

7.10.4 IOF Unit price relative to NTA

The price of the IOF Units relative to reported NTA per IOF Unit from 1 July 2015 to 31 October 2018 is illustrated in the following chart.

Figure 10: IOF Unit price relative to NTA per IOF Unit



Source: IRESS; IOF Annual Reports for FY16 and FY17 and Financial Statements for 1H18; KPMG Corporate Finance analysis

Consistent with most listed REITs, IOF Units generally traded at a premium to NTA from early 2014 until early 2016 as a result of an expectation of further increases in property values and positive economic sentiment. From early 2016 until June 2017, IOF Units traded at around NTA. In addition, the IOF Unit price was impacted by market speculation of potential takeovers of IOF as discussed in Section 7.10.1 of

Schedule 2. Independent Expert's Report

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this report. Since mid-2017, IOF Units have generally traded at a discount to NTA whilst other office A-REITs have traded closer to NTA.

In the three months prior to the announcement of the Proposal, IOF Units traded at a discount in the range of 6.5% to 16.2% relative to the NTA at 31 December 2017 of $4.95, representing an average discount of 12.4%. While difficult to quantify, reasons for the discount may include:

- market conditions:
  - a slowdown in the rate of compression of capitalisation rates and continued soft demand and high vacancy in Perth and Brisbane
  - an increase in government bond yields, effectively reducing the attractiveness of A-REITs, and
  - an increase in the A$/US dollar exchange rate, making Australian dollar investments more expensive for foreign investors

In the 12 months to 25 May 2018, the premium/(discount) to NTA for other predominantly office A-REITs decreased/(increased) from (1.9%) to 26.2% (an average premium of 13.0%) to (13.2%) to 17.2% (an average premium of 5.3%). Reasons may include:

- an anticipated near term earnings impact for IOF due to the repositioning of key assets, effectively placing a cap on the IOF Unit price
- continuing uncertainty as to the ownership of IOF and its management rights, and
- IOF's external management structure, which was increasingly out of favour with investors.

On the announcement of the Proposal on 28 May 2018, IOF Units closed at $5.15 (cum distribution) and a 4.0% premium to NTA at 31 December 2017 of $4.95 per IOF Unit. The IOF Unit price drifted lower, before increasing to close at $5.22 on 25 June 2018 (the last trading day before the announcement of the property valuations at 31 May 2018), a 5.5% premium to NTA at 31 December 2017, likely reflecting an expectation that property valuations would result in significant uplift in NTA. In particular, all but five of IOF's properties had not been valued since April 2017, during which time there had been further contraction in capitalisation rates, a strong Sydney market and significant leasing activity. Furthermore, on 19 June 2018, DEXUS announced a revaluation uplift which would bring the valuation uplift for the 12 months to 30 June 2018 to 9.3%.

On the announcement of IOF's property valuations on 26 June 2018 (which indicated a 31 December 2017 pro forma NTA of $5.48), the IOF Unit price closed at $5.32, a 2.9% discount to pro forma NTA at 31 December 2017.

From 28 June 2018 (ex-distribution date) until 31 October 2018, the IOF Unit price has increased by 6.3% following the numerous competing offers by Blackstone and Oxford. Since the $5.60 unsolicited, non-binding, indicative and conditional proposal by Oxford on 14 September 2018 until 31 October 2018, the IOF Unit price has closed at a premium to 30 June NTA of $5.48 in the range of 0.7% to 1.6% and an average premium of 1.1%.

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6 November 2018

8 Valuation of IOF

8.1 Approach

Our valuation of an IOF Unit is based on the net assets methodology. A-REITs, particularly those which passively hold portfolios of properties, are commonly valued with reference to net asset values. Property investments are reflected on the balance sheet at market value based on property valuations provided by property valuation specialists. When valuing A-REITs, it is general market practice for independent experts to adopt this market value in their assessment of adjusted NTA.

The net assets methodology is appropriate for IOF as its value lies in its underlying properties and not the ongoing operations of the trusts. The net assets methodology requires a valuer to determine the market value of the assets and liabilities at the valuation date, before deducting an allowance for corporate costs incurred to manage the portfolio. This approach represents the market value of the underlying assets, which is different to the net proceeds derived on the winding up of an entity (where CGT and other wind-up costs may apply).

8.2 Summary

KPMG Corporate Finance has assessed an adjusted NTA for IOF in the range of $5.49 to $5.52 per IOF Unit. This estimate is based on IOF's pro forma NTA as at 30 June 2018 of $3,278.8 million ($5.48 per IOF Unit[46]). Various adjustments have been made to derive adjusted NTA per IOF Unit as summarised in the following table:

Table 19: Valuation of IOF Units

$ million unless otherwise stated	Section Reference	Low	High
FY18 Pro forma NTA	8.3	**3,278.8**	**3,278.8**
Estimated earnings from 1 July 2018 to 14 December 2018	8.4	59.8	59.8
Capitalised corporate overheads (net of savings)	8.5	(49.8)	(29.5)
Capitalised borrowing costs as at 30 June 2018	8.6	(3.8)	(3.8)
Adjusted NTA		**3,285.0**	**3,305.3**
IOF Units on issue (million)		598.4	598.4
Adjusted NTA per IOF Unit (excluding premium)		**$5.49**	**$5.52**
Premium to adjusted NTA	8.7	-	-
Adjusted NTA per IOF Unit (including premium)		**$5.49**	**$5.52**

Source: KPMG Corporate Finance analysis
Notes: Table may not add due to rounding.

The range of values is narrow, reflecting that property values, which comprise a majority of the value, represent the pro forma book value of the properties at 30 June 2018.

Adjusted NTA represents the aggregate full underlying value of IOF. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, in certain situations, it is appropriate to apply a premium or discount to adjusted NTA. KPMG Corporate Finance considers that in this instance, no further adjustment is required, having regard to the specific attributes of IOF at this point in time, as well as the reduction in premiums to NTA observed in recent control transactions involving passive, office A-REITs (refer to Section 8.7 of this report for a discussion of premiums and discounts to adjusted NTA).

8.3 Net tangible assets

IOF's pro forma financial position as at 30 June 2018 is set out in detail in Section 7.8 of this report and is summarised as follows.

[46] Calculated as pro forma NTA as at 30 June 2018 of $3,278.8 million divided by 598,418,985 Units on issue.

Schedule 2. Independent Expert's Report

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6 November 2018

Table 20: IOF pro forma NTA as at 30 June 2018

As at $ million	30 June 2018 Pro forma
Cash	3.8
Receivables	9.1
Investment properties	3,428.3
Equity accounted investments	915.7
Derivative assets	92.3
Total assets	**4,449.2**
Current payables	(26.4)
Derivative liabilities	(4.9)
Borrowings	(1,139.1)
Total liabilities	**(1,170.4)**
NTA	**3,278.8**
IOF Units on issue (million)	598.4
NTA per IOF Unit	**$5.48**

Source: IOF management

The pro forma includes a number of adjustments as set out in Section 4.6(c) of the Explanatory Memorandum and Section 7.8 of this report, including:

- the sale of 836 Wellington Street, Perth
- capital expenditure associated with and revaluation of 151 Clarence Street, Sydney
- payment of the June 2018 distribution
- fair value movements related to derivatives and the USPP, and
- payment of transaction costs that will be incurred regardless of whether the Transaction proceeds (including the $32 million break fee payable to Blackstone).

Investment properties

The pro forma NTA as at 30 June 2018 is based on book values for each of IOF's properties which reflect valuations undertaken by independent valuers plus capital expenditure and payments for incentives and leasing fees (net of amortisation) since the valuation date. Valuations of all properties were undertaken as at 31 May 2018 and 151 Clarence Street, Sydney, was revalued as at 30 September 2018.

All properties in the investment property portfolio were independently valued as at 31 May 2018, resulting in a $316.1 million (7.9%) uplift in the carrying value of the portfolio from 31 May 2018. Asset values in Sydney, North Sydney, Melbourne and Perth increased by 11.6%, 7.4%, 4.9% and 8.5%, respectively.

836 Wellington Street, Perth, was settled on 31 October 2018 and the pro forma 30 June 2018 balance sheet has been adjusted to remove the asset and reduce debt for the net sale proceeds.

ILFML internally reviewed the valuation of its entire portfolio as at 30 September 2018 and determined that since 31 May 2018, other than 151 Clarence Street, which reached practical completion in early October 2018 and for which new leases had been entered into, it was unlikely that the valuation of the properties in the portfolio had moved by a material amount to the current carrying value. 151 Clarence Street, Sydney, was independently valued as at 30 September 2018. This resulted in an 11.0% ($42.2 million) increase to carrying value as at 30 September 2018 (an increase of 1.0% (or 7 cents) in NTA per IOF Unit) as a result of the release of the remaining development profit and a tightening of the capitalisation rate as anticipated to 4.75%.

KPMG Corporate Finance has relied on the independent valuations for the purposes of its report and did not undertake its own valuations of the properties. KPMG Corporate Finance does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. KPMG Corporate Finance has undertaken a review of the independent valuations. In particular, we have, analysed in detail a selection of the valuations, reviewed them for outliers, compared assumptions between valuers, identified the reasons

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6 November 2018

for substantial changes in values over time, compared assumptions (e.g. capital expenditure) with IOF's FY19 budget and considered leasing assumptions for properties under development or refurbishment.

We have concluded that:

- the property valuers were independent of IOF
- the engagement instructions were appropriate and did not limit the scope of the valuations
- the property valuations were completed by reputable valuation companies and by valuers who have the appropriate qualifications in accordance with the standards of the Australian Property Institute, and
- the valuation methods appear to be consistent with those generally applied in the industry (i.e. discounted cash flow, capitalisation of net income and direct comparison (i.e. value per square metre of net lettable area)), with valuation conclusions selected having regard to the results of each methodology.

This review does not, however, imply that the valuations have been subject to any form of audit or due diligence.

In addition, we note that the valuations:

- only provide a point estimate of value for the properties, although sensitivity tables are usually provided. We note that cash flows utilised for the purpose of a discounted cash flow analysis are generally long term (10 years) and rely on a number of assumptions (e.g. re-leasing, capital expenditure, capitalisation rates, discount rates, rental growth and incentives)
- were undertaken on a going concern basis in accordance with current use
- assume that the properties are sold on an individual basis (and not sold in one line)
- deduct the net present value of unexpired tenant incentives
- incorporate property management fees in relation to each property net of the recovery of these costs from tenants, and
- allow for selling costs, in accordance with normal property valuation methodologies.

On this basis, KPMG Corporate Finance considers that the valuations of the investment properties are not unreasonable and are therefore appropriate for use in a net assets based valuation approach.

Given the relatively short time that has elapsed since 31 May 2018 (or 30 September in the case of 151 Clarence Street, Sydney) and the nature of the assets being valued (i.e. passive investments in office property assets for which there is no liquid market), there is unlikely to have been any material change in the market value of these assets since they were valued. Nevertheless, we have considered whether there is likely to have been any material change in the market value of these assets since they were valued.

We have considered industry reports released since 31 May 2018. As anticipated, over the September quarter, vacancy rates in IOF's major office property markets (other than North Sydney, which recently experienced historically low vacancy rates) have continued to decrease and primary face rents continued to increase[47] and yields continued to contract. The outlook for office property sector remains unchanged as follows: [48]

- as previously anticipated, vacancy rates have contracted further and are expected to continue to contract further in the prime Sydney and Melbourne CBDs until late 2019 (Melbourne) and early 2020 (Sydney), before increasing as new supply is introduced. As a result, strong rental growth is expected to continue in Sydney and Melbourne, before slowing as new supply comes on market. Yields for prime office properties are also expected to contract in Sydney and Melbourne

[47] JLL, various CBD Office Reports, 3Q18

[48] Colliers, "CBD Office: Second Half 2018"

Schedule 2. Independent Expert's Report

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- the outlook for Sydney metro markets also remains unchanged with increased popularity expected to be in line with continued population growth, improving infrastructure and affordability. Yields have continued to compress over the six months to September 2018 and demand is expected to remain strong as investors look for savings in the long-term compared to the highly priced CBD.[49] In North Sydney, the overall vacancy rate has increased slightly in the three months to September 20, however is expected to remain relatively low for the remainder of 2018 before the next additions commence from early 2019,[50]
- as previously anticipated, in Brisbane, Canberra and Perth, vacancy rates are expected to improve and rental growth is expected to be modest.

We have made enquiries of IOF management and undertaken our own research and we are not aware of any new property transactions that would imply that the property valuations undervalue the properties. Other office A-REITs have released financial results for FY18 and revised property valuations, which indicate an increase in property values as expected and are consistent with the increases in IOF's property valuations as at 31 May 2018.

We have also considered whether IOF has undertaken any leasing activity which would cause the property valuers to arrive at a different valuation. Since 31 May 2018:

- leasing discussions have continued and IOF has entered into a number of smaller leases (as anticipated in the property valuations)
- no new agreements for lease have been signed with respect to the properties under refurbishment that constitute a majority of FY19 lease expiries (388 George Street, Sydney and 347 Kent Street, Sydney)
- new lease agreements have been signed for the development property, 151 Clarence Street, Sydney (most recently, with Soul Pattinson), each of which is reflected in the revaluation of the property as at 30 September 2018, and
- IOF is progressing non-binding heads of agreement with respect to over 21,386 square metres at 388 George Street, Sydney (59% of office tower lettable area) and over 6,019 square metres at 347 Kent Street, Sydney (22% of net lettable area). However, no binding heads of agreement has been signed. Property valuers typically only adjust valuations when there is a binding heads of agreement.

Consequently, there has been no leasing activity that suggests the valuers would have arrived at different values for the properties as at the date of the report.

8.4 Retained earnings and distributions

The implementation date for the Proposal is 14 December 2018. Pro forma NTA as at 30 June 2018 does not reflect retained earnings for the period from 1 July 2018 until the implementation date. Furthermore, IOF Unitholders are entitled to distributions accrued over this period, however, the Oxford Proposal Consideration is in cash and does not make an allowance for distributions accrued in this period. It is appropriate to add estimated operating earnings from 1 July 2018 to 14 December 2018 to the pro forma NTA.

In the Explanatory Memorandum, IOF Management confirmed FFO guidance for FY19 of 29.2 cents per IOF Unit and distribution guidance of 20.3 cents per IOF Unit. An adjustment of $59.8 million[51] has been made to pro forma NTA as at 30 June 2018 to reflect operating earnings over this period.

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[49] Source: Colliers, "Metro Office Second Half 2018", August 2018.

[50] Ibid

[51] Based on operating earnings, which is FFO less amortisation of lease incentives. Operating earnings has been adjusted to remove the impact of amortisation of capitalised borrowing costs from 1 July 2018 until the implementation date of the Proposal.

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6 November 2018

8.5 Capitalised corporate overheads

NTA does not reflect the cost structure associated with being a listed investment vehicle. Corporate overheads are a cost of IOF's operating structure and include:

- responsible entity fees and custodian fees
- listed entity costs (such as annual reports, directors fees, IOF Unitholder communications and listing fees, etc.), and
- other trust expenses (e.g. audit, tax, legal, valuation, property due diligence).

The independent property valuations reflect only costs associated with the management of the properties and do not reflect any corporate overhead costs. We therefore consider it appropriate to adjust the NTA value to reflect the capitalised value of these costs.

It is estimated that in FY19, IOF will incur responsible entity fees of $15.7 million and other expenses (including listing costs and other operating expenses) of $2.7 million (i.e. a total of $18.4 million).

Any acquirer of 100% of IOF could eliminate listed entity costs, however, an acquirer with an existing funds management platform in Australia could likely save substantially more costs. There are a number of potential acquirers of 100% of IOF that have existing property funds management platforms in Australia (e.g. GPT, DEXUS, Brookfield Australia, Mirvac Group, Stockland Group, Charter Hall Group) and which could likely save a substantial share of responsible entity fees and trust expenses as well as listing costs. In regard to the quantum of potential cost savings, we note that:

- DEXUS, in seeking to acquire IOF with CPPIB in 2016, expected to be able to save 73% of management expenses[52]
- Growthpoint, in seeking to acquire GPT Metro Office Fund, announced that it expected to be able to save 50% of management expenses[53]
- in seeking to acquire Commonwealth Property Office Fund in 2013, both GPT and DEXUS announced that they expected to save approximately 80% of management costs[54], and
- in recent transactions involving A-REITs, independent experts have assumed cost savings in order of 70% to 80%, on the basis that there is a pool of potential acquirers that have an existing funds management platform in Australia.[55] This includes in relation to Growthpoint's acquisition of GPT Metro Office Fund, whereby the independent expert adopted savings in the order of 72% to 86% despite Growthpoint's expectation that it could save 50% of corporate overheads.

We recognise that Oxford is unlikely to be able to achieve this level of savings, however, in accordance with the requirements of RG111, KPMG Corporate Finance has assumed residual corporate overheads on the basis that the acquirer has an existing management platform in Australia. Consequently, we have incorporated residual corporate overheads in the range of $3.7 to $5.5 million per annum (i.e. net cost savings of 70% to 80%).

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[52] DEXUS announced that it expected to be able eliminate responsible entity fees as well as other expenses but would incur incremental corporate overheads of $4 million per annum (i.e. net cost savings of $11 million per annum out of a total of $15 million or 73%).

[53] Growthpoint announced that it expected that post acquisition, management expenses in relation to GPT Metro Office Fund would reduce to 0.4% of gross asset value (or overheads of $1.8 million per annum out of a total of $3.6 million management expenses or 50%).

[54] Commonwealth Property Office Fund's management fees were $17 million in FY13 and were expected to be around $17.5 million in FY14. GPT announced on 19 November 2013 that its pro forma assumption on acquisition of Commonwealth Property Office Fund was for incremental operating expenses of $3.0 million per annum. DEXUS announced on 11 October 2013 that post implementation, its management expense ratio would reduce to below 0.45% (from 0.53% in FY13) due to cost synergies, implying incremental operating costs of $3.0 million.

[55] For example, Generation Healthcare (75% savings), GPT Metro Office Fund (72%-86% savings), Centuria Urban (68% savings) and Brookfield Prime (69%-77% savings).

Schedule 2. Independent Expert's Report

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We have capitalised the residual overheads at a multiple in the range of 8 to 9 times, which is consistent with multiples typically applied for costs of this nature in the context of A-REITs and consistent with multiples applied in other independent expert reports involving A-REITs. In addition, we note that the acquisition of 100% of IOM by ICPF in 2017 implied multiples of 8.7 times historical EBITDA and 8.8 times forecast EBITDA.

We have assessed a value of capitalised costs to be in the range of $29.5 to $49.8 million as set out in the following table. This value has been deducted from the pro forma NTA as at 30 June 2018.

Table 21: Capitalised overhead costs

$ million unless otherwise stated	Low	High
Estimated corporate overheads (net of savings)	5.5	3.7
Caplitalisation multiple (times)	9.0	8.0
Capitalised corporate overheads	**49.8**	**29.5**

Source: KPMG Corporate Finance analysis

IOF also pays property management and project management fees to third parties, including various subsidiaries of IOM. A number of IOF's property management and project management agreements are in place over an approximately five year period. A potential acquirer of IOF that has an existing office property management business (e.g. GPT, DEXUS, Brookfield Australia, Mirvac Group, Stockland Group, Charter Hall Group) may be able to save a portion of these costs once those agreements expire (or if an agreement could be reached to acquire those management rights). However, property management fees are included in IOF's NPI and development fees are capitalised or expensed as appropriate. To the extent that these fees are not in line with market rates, independent valuers adjust them for the purposes of valuation. Consequently, even if a portion of these fees could be saved, the independent property valuations would not change. Therefore, no separate adjustment has been made for these potential savings.

8.6 Other assets and liabilities

Borrowings included in the pro forma NTA as at 30 June 2018 reflects the amount drawn net of $3.8 million of borrowing costs which have been capitalised for accounting purposes. These are not assets that are realisable and therefore have been excluded in deriving the adjusted NTA. All other assets and liabilities have been included at their face value.

8.7 Premium/(discount) to NTA

Overview

RG 111 requires that in assessing the fairness of the Proposal, it is necessary to consider the extent to which a premium for control may be appropriate.

It is it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration.

IOF's adjusted NTA per IOF Unit (excluding premium) represents the aggregate full underlying value of IOF. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, a premium to NTA may be appropriate in certain situations, including:

- where property valuations are not current in a rising market
- the target has substantial other operating businesses (e.g. third party property management) that are not capital intensive and as such are not fully reflected in NTA (and, in particular, where the acquirer can derive synergies from those operations)
- the target has a substantial development pipeline, providing growth opportunities
- economies of scale can be achieved by integrating the target's business with the acquirer's operations, for example in funds management, property management and development management

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- achieving benefits of diversification
- where the portfolio is unique and has strategic value
- stamp duty savings associated with acquiring a portfolio of assets (rather than individual assets), and
- where transactions are the outcome of a competitive bidding process and bidders are prepared to accept a lower rate of return.

In other situations, a discount to NTA may be appropriate, for example:

- where property valuations are not current in a declining market
- the portfolio contains non-core assets that are not attractive to acquirers
- in the absence of substantial cost synergies, and
- the target is in financial distress.

Characteristics of IOF

There are a certain factors that indicate a premium to adjusted NTA may be appropriate in the case of IOF as the acquisition provides an opportunity for an acquirer to:

- purchase one of the few remaining sector specific, high quality office portfolios that has not already been acquired. IOF's portfolio is weighted towards prime office properties in Sydney and Melbourne markets, which have been performing strongly (although there is no guarantee that they will continue to perform strongly). The asset quality of other ASX listed office specific A-REITs is generally lower than for IOF and their portfolios have a greater exposure to the weaker Brisbane and Perth markets. The attractiveness of IOF's portfolio is evident by DEXUS' proposal in 2015/16, Cromwell's expression of interest in 2017 and Blackstone's proposal in 2018, and
- potentially avoid substantial stamp duty costs by acquiring IOF's portfolio as opposed to acquiring each of the properties individually. Based on the FY18 pro forma carrying value of IOF's properties at 30 June 2018 of $4.4 billion, it is estimated that stamp duty costs saved may be in the order of $244 million[56].

However, there are factors present within IOF that limit the amount of a premium, being:

- IOF is a passive, externally managed A-REIT with no operating business or third party mandates
- the existence of pre-emptive rights over certain jointly owned properties and change of control provisions in IOF's funding documents
- all property valuations are fairly recent (as at 31 May 2018), including those held jointly with third parties and 151 Clarence Street, Sydney, was revalued as at 30 September 2018. They are also already prepared on a control basis
- IOF's relatively short WALE of 5.2 years, with 15% of leases expiring in FY19 and 4.9% vacancies. Actual re-leasing may be more or less favourable than re-leasing assumptions applied by independent property valuers
- there are six less attractive properties located in the underperforming Brisbane and Perth markets (following the sale of 836 Wellington Street, Perth)
- IOF has no substantial development pipeline and the pro forma balance sheet reflects the revaluation of 151 Clarence Street, Sydney which reached practical completion in early October 2018. As such, the valuation captures all of this upside
- near term distribution growth is likely to be curtailed by significant capital expenditure requirements over the next two years and will need to be partially funded by additional borrowings, and

[56] Calculated as 5.5% of $4.4 billion property values.

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6 November 2018

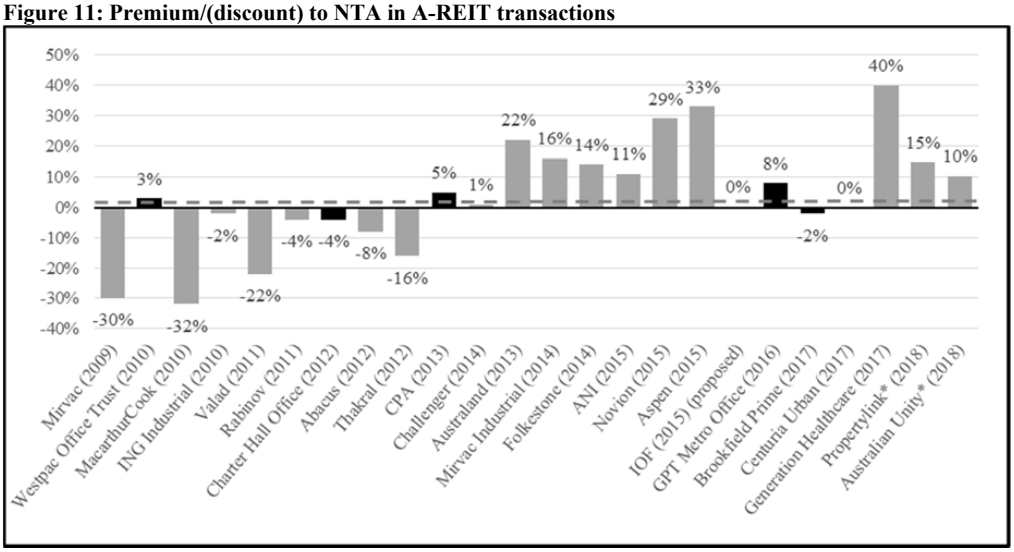
- KPMG Corporate Finance's assessed adjusted NTA value already reflects substantial cost savings (in the order of 70% to 80%).

On balance, the specific attributes of IOF indicate that it is unlikely that an additional premium is appropriate, particularly given that all property valuations are current and prepared on a control basis.

Comparable transactions

Premiums/discounts to NTA for transactions involving A-REITs following the onset of the global financial crisis in 2008 is illustrated as follows:

Figure 11: Premium/(discount) to NTA in A-REIT transactions



Source: KPMG Corporate Finance analysis
*Notes: *Propertylink transaction is announced and is pending.*

Premiums/(discounts) to NTA largely reflect the stage of the property cycle at the time of the transaction (as well as factors specific to each A-REIT):

- in the period from 2009 to 2012, transactions generally occurred at a discount to NTA. This period was characterised by write downs in property valuations (generally, with a lag), deleveraging and the sale of overseas and non-core assets. A number of A-REITs were likely in financial distress (Mirvac, MacarthurCook, Valad and Rabinov)
- the transactions from 2013 to 2015 occurred at a significant premium to reported NTA, largely reflecting an expectation of rising property valuations (with a lag). Other factors that have influenced premiums paid in recent transactions include the presence of substantial development activities (Australand), Novion's large third party asset management business (38% of AUM) and the competitive bidding process involved in the acquisitions of Aspen Park, Australand and Commonwealth Property Office Fund. Folkestone and Aspen were focused on specialist property sectors (social infrastructure and holiday parks, respectively), and
- premiums observed in transactions that occurred from 2016 are generally lower ((2.5)% to 10.2%), with the premiums decreasing over time. The high end of this range is represented by GPT Metro Office Fund, which involved a competitive bidding process and Australian Unity, which has a number of properties under development. Similar to IOF, each of these is a passive A-REIT. We do not consider the acquisitions of Generation Healthcare (which is exposed to the strongly performing healthcare sector and has a substantial development pipeline) and Propertylink Group (Propertylink) (which is most focused on the industrial sector where there are typically greater development opportunities) to be comparable.

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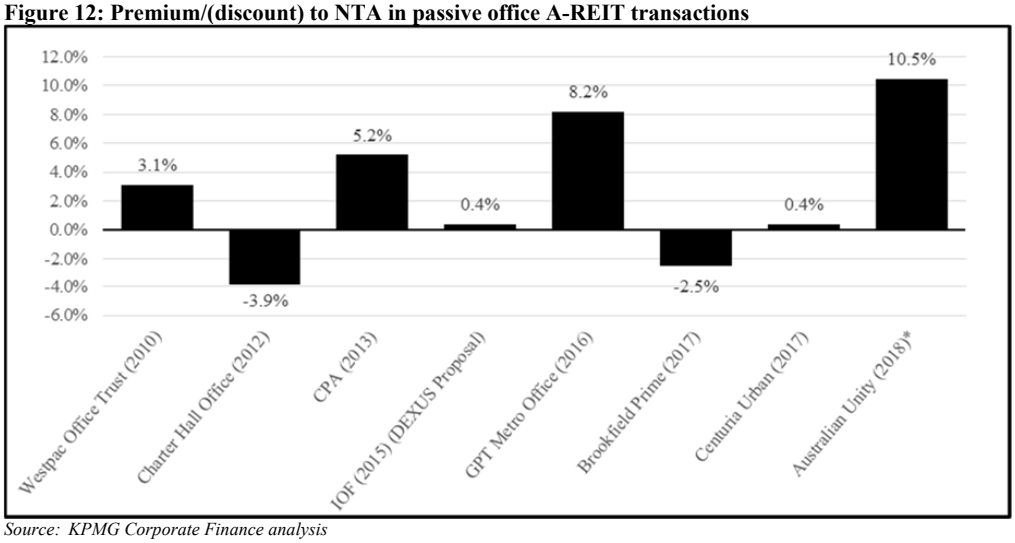
6 November 2018

IOF is a passive, externally managed A-REIT with no operating business or third party mandates. Premiums/(discounts) to NTA observed in acquisitions of passive office A-REITs are illustrated in the following chart.

Figure 12: Premium/(discount) to NTA in passive office A-REIT transactions



Source: KPMG Corporate Finance analysis

In regard to the observed premiums/(discounts) to NTA, we note the following:

- similar to IOF, each of the A-REITs was externally managed. In addition, Westpac Office Trust, Charter Hall Office REIT, Commonwealth Property Office Fund and Brookfield Prime each had an attractive prime (premium or A grade) CBD office portfolio that was of substantial scale and, therefore, likely had strategic value and provided economies of scale (and potentially diversification benefits) for acquirers:
  - Westpac Office Trust had a portfolio of 7 properties with a total value of $1.1 billion and was comprised 84% of A grade properties and had 95% of properties located in New South Wales. The portfolio had a WALE of 8.7 years and a weighted average capitalisation rate of 7.4%. However, it was highly geared (62%) and had limited headroom relative to covenants. The transaction occurred at a 3.1% premium to NTA
  - Charter Hall Office REIT's portfolio comprised 18 properties which had a book value of $1.8 billion and included predominantly prime office properties (premium, 63%, A grade, 34%) that were predominantly (84%) located in Sydney and Melbourne. It had a WALE of 4.5 years, occupancy of 97% and weighted average capitalisation rate of 7.8%. It also had an active development pipeline. Despite these factors, the transaction occurred at a discount of 3.9% to NTA, which potentially reflects that a number of passive A-REITs were trading at a discount to NTA at the time (reflecting an expectation of declining property valuations)
  - Commonwealth Property Office Fund had a portfolio of 25 office properties with a total value of $3.8 billion (comparable in size to IOF) that included premium (13%) and A grade (76%) properties. The portfolio had a WALE of 4.7 years, occupancy of 95.6% and a weighted average capitalisation rate of 7.3%. Commonwealth Property Office Fund's property portfolio was concentrated in NSW (46%) and Victoria (31%). Although the transaction occurred at a time when a number of passive A-REITs were trading below NTA, the premium of 5.2% likely reflects that the transaction followed a competitive bidding process by DEXUS and GPT
  - Brookfield Prime had interests in four A-grade office buildings in the CBDs of Sydney and Perth with a total value of $707 million. As at 31 December 2016, its portfolio had a WALE (by income) of 4.7 years and was 91% occupied. The 2.5% discount to NTA (adjusted for property valuations as at March 2017) may reflect that it was owned 80.47% by Brookfield and had

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limited liquidity, low distribution payout ratio and a high management fee structure, as well as the stage of the office property cycle

- the portfolios of GPT Metro Office Fund, Centuria Urban and Australian Unity are located outside CBDs and are substantially smaller than IOF's portfolio:
  - GPT Metro Office Fund's portfolio comprised six A-Grade metropolitan and business park office properties across Sydney, Melbourne and Brisbane with a total value of $439 million. It had a WALE (by income) of 5.5 years and 94.9% occupancy. The relatively high premium to NTA of 8.2% reflects that the transaction occurred as part of a competitive bidding process between Growthpoint Properties Australia and Centuria Metropolitan REIT, reflecting the scarcity value of the assets. In addition, it occurred in 2016 when a number of passive office A-REITs were trading above NTA reflecting an expectation of further increases in valuations
  - Centuria Urban REIT had three A-grade suburban office properties (two in Brisbane and one in Melbourne) which had a total value of $210 million. As at 31 December 2016, it had a WALE of 4.6 years and an occupancy by NLA of 99.2%. The transaction occurred at a modest 0.4% premium to NTA
  - Australian Unity has 9 metropolitan office assets across Australian metropolitan and CBD markets. The portfolio had an average occupancy of 95.6% and a 6.88 year WALE. At 30 June 2018, the company had a number of properties under development, likely explaining the 10.2% premium to NTA. We note that the transaction was announced on 8 October 2018 and as at the date of this report, has not yet completed
- these transactions indicate a premium/(discount) in the range of (3.9%) to 10.2% to NTA for an office specific A-REIT. At the high end of this range, GPT Metro Office Fund and Commonwealth Property Office Fund were involved competitive bidding situations, and Australian Unity has a number of properties under development. Excluding these transactions, the range is (3.9%) to 3.1%. Within this range, the two most recent comparable transactions are relatively low ((2.5%) and 0.4%), likely reflecting the stage of the office property cycle.

It should be noted that premiums are calculated relative to audited NTA. The equivalent premium/(discount) to adjusted NTA would be slightly higher/(lower).

Taking into account the premiums to NTA observed in recent comparable transactions involving office specific A-REITs with passive investments in the office sector as well as the specific attributes of IOF, KPMG Corporate Finance is of the view that it is not appropriate to apply an additional premium to the adjusted NTA of IOF.

8.8 Valuation cross-check

As a cross-check to our primary net assets methodology, we have applied a capitalisation of earnings method with reference to FFO multiples and distribution yields implied by our primary valuation approach and compared them to those of the comparable listed A-REITs and recent transactions involving A-REITs. Our assessed value of an IOF Unit on an adjusted NTA basis of $5.49 to $5.52 implies the following FFO multiples and distribution yields:

Table 22: IOF implied multiples cross check

Implied metrics	Section Reference	Parameter (per IOF Unit)	Low	High
Value per IOF Unit	**8.2**		**$5.49**	**$5.52**
FY18 FFO multiple (times)[1]	7.7	30.6¢	17.9	18.0
FY19 FFO multiple (times)[2]	7.7	29.2¢	18.8	18.9
FY18 distribution yield	7.7	20.3¢	3.7%	3.7%
FY19 distribution yield[2]	7.7	20.3¢	3.7%	3.7%

Sources: KPMG Corporate Finance Analysis
Notes:
1. Pro forma FY18 FFO
2. IOF FY19 guidance

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6 November 2018

The relevant market evidence is summarised below and provided in detail in Appendix 4.

Comparable transactions

There are a number of recent transactions involving sector specific A-REITs that focus on passive investments in office properties. These transactions occurred at a forecast exit yield in the range of 5.0% to 8.1% and a forecast FFO multiple in the range of 12.8 times to 20.9 times and are summarised in the following table.

Table 23: Transaction evidence

Announcement date	Transaction	Internally/ externally managed[1]	Transaction ($ million)	Premium/ (discount) to NTA[2]	Exit yield Historical	Exit yield Forecast	Premium/ (discount) to VWAP[3]	FFO multiple
Oct 2018	Australian Unity Office Fund[4]	E	480.3	10.5%	5.3%	na	10.2%	17.8
Apr 2017	Centuria Urban REIT	E	27.2	0.4%	9.1%	8.1%	na	na
Mar 2017	Brookfield Prime Property Fund	E	310.0	(2.5%)	2.9%	na	16.0%	na
Jun 2016	GPT Metro Office Fund	E	321.3	8.2%	6.1%	6.2%	21.4%	20.9
Dec 2013	Commonwealth Property Office	E	2,910.0	5.2%	5.3%	5.0%	14.8%	12.8
Jan 2012	Charter Hall Office REIT	E	1,228.4	(3.9%)	na	5.3-6.5%	22.9%	14.0
Apr 2010	Westpac Office Trust	E	417.0	3.1%	7.7%	7.7%	14.2%	na
Low			**27.2**	**-32.1%**	**2.9%**	**3.9%**	**6.4%**	**12.8**
High			**8,045.5**	**39.5%**	**10.0%**	**8.7%**	**56.0%**	**21.8**
Median			**373.0**	**3.1%**	**6.1%**	**6.2%**	**15.6%**	**17.8**

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Notes:

1. *"I" denotes internally managed A-REIT and "E" denotes externally managed A-REIT*
2. *NTA from the last financial report for each target entity*
3. *One month VWAP prior to the announcement of the transaction or notable corporate activity.*
4. *Transaction was announced but not yet complete as at the time of the report*

In relation to the above, we note:

- the Australian Unity Office Fund dividend yield is moderate, reflecting the impact of having a large share of properties outside core CBD markets and a high distribution payout ratio. The relatively high premium to NTA likely reflects its substantial development pipeline as at 30 June 2018
- the quality of Centuria Urban's property portfolio is substantially different from IOF's (located outside CBDs) and consequently, a lower yield is appropriate for IOF
- Brookfield Prime Property Fund's low exit yield is distorted by its very low payout ratio (16% of EPS in FY17) and high management fee structure
- GPT Metro Office Fund was substantially smaller than IOF and unlike IOF, its assets include business parks. Consequently, the transaction occurred at a relatively high exit yield (despite it occurring as part of a competitive bidding situation)
- Commonwealth Property Office Fund's $3.8 billion investment portfolio was of a similar scale to IOF's portfolio ($4.4 billion) and the portfolio was of similar quality. The acquisition occurred at relatively low exit yield of 5.0% (although this may also reflect that the transaction occurred as part of a competitive bidding situation)
- Charter Hall Office Fund's portfolio had a greater share of premium grade property than IOF, suggesting a higher yield is appropriate for IOF, and
- the relatively high yield for Westpac Office Trust may reflect that the transaction occurred during a weaker stage of the property cycle and was over geared.

Comparable companies

There are no directly comparable sector specific A-REITs focused on passive investment in the office sector. Multiples for listed A-REITs with substantial interests in office properties in Australia (over 60% of their portfolio) are set out in the following table.

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6 November 2018

Table 24: Sharemarket evidence for primarily office A-REITs

	Management basis[1]	Market capitalisation ($ million)	Premium/ (discount) to NTA (%)[2]	Distribution yield		FFO multiple	
				FY18	FY19	FY18	FY19
Investa Office Fund	**E**	**2,771**	**(6.5%)**	**4.4%**	**4.4%**	**15.1**	**15.9**
Primarily Office REITs							
DEXUS	I	10,375	5.8%	4.7%	4.9%	15.9	15.8
Growthpoint Properties Australia	I	2,452	13.8%	6.1%	6.3%	14.9	14.2
Cromwell Property Group	I	2,045	7.3%	8.1%	7.8%	13.0	13.4
GDI Property Group	I	692	9.3%	6.0%	6.2%	15.4	n/a
Investec Australia Property Fund	E	560	(9.3%)	7.9%	n/a[4]	n/a	n/a
Centuria Metropolitan REIT	E	571	(5.6%)	7.7%	7.5%	n/a	n/a
Australian Unity Office Fund[3]	E	435	0.0%	5.8%	n/a	16.1	n/a

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Notes:

Multiples are based on security prices as at 31 October 2018 except for IOF, which is based on the security price at 25 May 2018.

1. *"I" denotes internally managed A-REIT, while "E" denotes externally managed A-REIT*
2. *Based on book value as at 30 June 2018, except for IOF which is based on NTA as at 31 December 2017*
3. *the one month VWAP prior to the announcement of the Starwood Capital Group proposal to acquire Australian Unity Office Fund on 8 October 2018 has been used as the current share price includes a control premium*
4. *Not applicable*

- other than IOF, office sector A-REITs include Cromwell Property Group (Cromwell) (94% office properties), GDI Property Group Limited (GDI), Investec Australia Property Fund (Investec), Centuria Metropolitan REIT (Centuria Metropolitan) and Australian Unity Office Fund (Australian Unity). In regard to these A-REITs:
  - similar to IOF, Investec, Centuria Metropolitan and Australian Unity are externally managed, whereas Cromwell and GDI are internally managed
  - both Cromwell and GDI have third party asset management activities and the quality of the office portfolios are generally lower than IOF. The portfolios of both have relatively low occupancy and Cromwell also has a high payout ratio. Consequently, their distribution yields are relatively high (8.1% and 6.0% historical yields)
  - Investec is listed on the Johannesburg Stock Exchange. The high distribution yield likely reflects its absence of an ASX listing, illiquid trading, external management structure and, potentially, currency risk exposure
  - Centuria's relatively high yield likely reflects that its property assets are outside the core CBD locations as well as its relatively short WALE
  - we note that Australian Unity is currently trading at a control premium as a result of the Starwood Capital Group proposal. Using the one month VWAP prior to the announcement of the proposal, Australian Unity is trading on par with NTA and its dividend yield is moderate, reflecting the impact of having a large share of properties outside core CBD markets, offset by a high distribution payout ratio.
- DEXUS and Growthpoint's portfolios are focused on office properties (84% and 66%, respectively), however, they also comprise industrial properties. Furthermore, both are internally managed and DEXUS has a substantial development pipeline and third party funds management business. DEXUS' relatively low yields likely reflect its high quality property portfolio and weighting towards the Sydney office market, the fundamentals of which continue to be favourable. Growthpoint's relatively high yield likely reflects its greater exposure to the industrial property sector, greater share of properties outside the Sydney CBD and high payout ratio.

Conclusion

IOF's implied FY19 FFO multiple of 18.8 to 18.9 times is towards the high end of the range of the transaction evidence (12.8 to 20.9 times), with the high end of the range represented by the acquisition of GPT Metro Office Fund, which occurred as part of a competitive bidding situation, and substantially higher than FY19 multiples for listed A-REITs which focus on the office property sector (13.4 to 15.8 times).

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6 November 2018

IOF's implied FY19 distribution yield of 3.7% is substantially below the low end of the transaction evidence (5.0% to 8.1%, excluding Brookfield Prime Property Fund for which yields are distorted by the very low payout ratio) and sharemarket evidence (4.9% to 7.8%).

A high FFO multiple and low distribution yield are appropriate, having regard to IOF's exposure to the strongly performing Sydney and Melbourne CBD office markets and relatively low exposure to the weaker Brisbane and Perth markets, substantial yield compression in recent years and the quality of IOF's portfolio. However, we note that these multiples also reflect the forecast decline in FFO and curtailment of distributions as a result of IOF's development and refurbishment activities.

On that basis, we consider the implied FFO multiple and distribution yield support our value range of $5.49 to $5.52 per IOF Unit.

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6 November 2018

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin, Joanne Lupton and Celeste Oakley. Ian is a member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australia and holds a Master of Commerce. He is also a member of the Standards Review Board of the International Valuations Standards Council. Joanne is a member of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Securities Institute Australasia and holds a Bachelor of Commerce degree. Celeste has Bachelors degrees in Economics and Law and a CFA designation. Each of these individuals has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert's reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Proposal is in the best interests of IOF Unitholders. KPMG Corporate Finance expressly disclaims any liability to any IOF Unitholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Proposal. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Proposal.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of IOF for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to IOF Unitholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Declarations

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

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6 November 2018

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- Explanatory Memorandum and Notice of Meeting
- annual results and financial statements of IOF for FY16, FY17 and FY18
- pro forma financial position for IOF as at 30 June 2018
- ASX announcements, press releases, media and analyst presentations and other public filings by IOF including information available on its website
- broker reports and recent press articles regarding IOF
- information sourced from S&P Capital IQ
- various industry reports published by IBISWorld Pty Ltd and property specialists

Non-public information

- Board papers and other internal briefing papers prepared by ILFML in relation to the Proposal
- Property valuation reports
- Other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of ILFML as responsible entity for IOF. We have also had discussions with the Directors of ILFML.

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6 November 2018

Appendix 3 – Industry overview

Overview

IOF is an A-REIT that invests in office buildings in CBDs in Sydney and North Sydney (66%), Melbourne (15%), Brisbane (13%), Perth (4%) and Canberra (2%). In order to provide context with regard to the current economic and industry factors relevant to IOF, we have provided an overview of the A-REIT industry and then provided further detail in relation to the Australian office sector within the A-REIT industry.

A-REIT industry

A-REITs are trust structures that provide security holders with an opportunity to invest in a vehicle that holds investments in property assets. Investors generally evaluate A-REITs by assessing the security of the rental and other property income, quality of the individual properties and tenants, degree of diversification, lease expiry profile, level of gearing and quality of management. The relative risk of these elements will generally be reflected in the yield of the individual A-REITs. A-REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed onto security holders through tax deferred distributions.

A-REITs invest in a range of properties in various sub-sectors and geographic locations. The sectors within the property market and the type of properties within each include the following:

- Retail: investment in shopping malls, outlet malls, neighbourhood and community shopping centres
- Diversified: investment across a range of property sectors
- Industrial: investment in industrial warehouse and distribution properties
- Office: investment in office buildings and office parks
- Residential: investment in residential properties including housing, apartments and student housing
- Hotel: investment in properties that provide accommodation on a room and/or suite basis
- Bulky goods: investment in retail warehouse which contain white goods and hardware
- Specialised: includes investment in physical and electronic record storage centres, childcare and early learning, agricultural land as well as retirement communities, aged care and other seniors living and agricultural land among others.

As at 31 October 2018, the A-REIT 200 Index had a market capitalisation of $115.97 billion and comprised 19 constituents. A total of 12 of the 19 A-REITs in the index are sector specific, concentrating on a particular sector of the property market while the remaining seven were diversified. The index is dominated by retail A-REITs (38.6% of the index) and diversified A-REITs (30.3% of the index) while predominantly office A-REITs comprised only 13.7% of the index (including DEXUS, IOF and Cromwell).

Historical performance

From January 2014 until mid-2016, record low interest rates coupled with the availability of credit, as well as tightening bond yields and volatile equity markets resulted in inventors paying a premium to purchase higher yielding asset classes such as property and infrastructure. The outperformance of the A-REIT 200 Index was greatest from mid-2014 as the depreciation of the Australian dollar increased the relative attractiveness of A-REITs to foreign investors.

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From mid-2016 until mid-2017, the A-REIT Index generally underperformed the broader sharemarket, as illustrated in the following chart:

Figure 13: A-REIT and ASX 200 relative performance

Source: IRESS

The total value of the A-REIT 200 index began to decline from August 2016 mainly due to weaker retail conditions dragging down the security prices of the large retail A-REITs that dominate the index as well as the impact of increases in Australian Government 10-year bond yields and an appreciation of the Australian dollar from around A$1=US$0.70 to around A$1=US$0.75 throughout 2016. From August 2016 to November 2016, the A-REIT 200 Index underperformed the ASX 200 Index by 17%.

From November 2016 until mid-2017, strong performances across international equity markets (including the ASX 200) against slow income growth in retail REITs and the further appreciation of the Australian dollar from mid-2017 to around A$=US$0.80 in early 2018 contributed to the underperformance. From mid-2016 until mid-2017, the A-REIT Index had underperformed the ASX 200 Index by 23%.

From mid-2017 until 31 October 2018, the A-REIT Index has broadly tracked the broader ASX 200 Index (other than a brief period of outperformance in December 2017).

Office property sector

The office property sector comprises entities engaged in the ownership and management of office property such as CBD, suburban and regional office buildings. The quality of office properties is distinguished by investment grade (i.e. premium, A, B grade).

Recent performance

The office property market in Australia has, broadly speaking, experienced capital value increases over the past three years due to limited supply and strong tenant demand resulting in yield compression. This is particularly true in respect of Sydney and Melbourne, which have each experienced strong face and effective rental growth. In the three years to March 2018 prime grade CBD office values increased by 34%, with secondary grade values increasing 41% in the same period.[57] Strong sector growth has predominantly resulted from significant demand for prime CBD assets in Sydney and Melbourne where growth rates have exceeded national levels considerably. Over the 12 months to 30 September 2018, vacancy rates in the Sydney and Melbourne CBD markets declined by 1.3% and 3.1%, respectively to 4.7% and 4.0%. In contrast, there has been oversupply in Brisbane, Adelaide, Perth and Canberra CBDs and outer metropolitan areas resulting in high vacancy levels of between 14% and 22%. In particular, continued weakness in the mining sector has resulted in vacancy rates in Perth of 22.0% in the three months to 30 September 2018.

Vacancy rates of IOF's major office property markets have generally been on a downward trend since March 2016, as illustrated in the following chart:

[57] Source: Colliers International, "2018 Office Investment Outlook, Sydney CBD".

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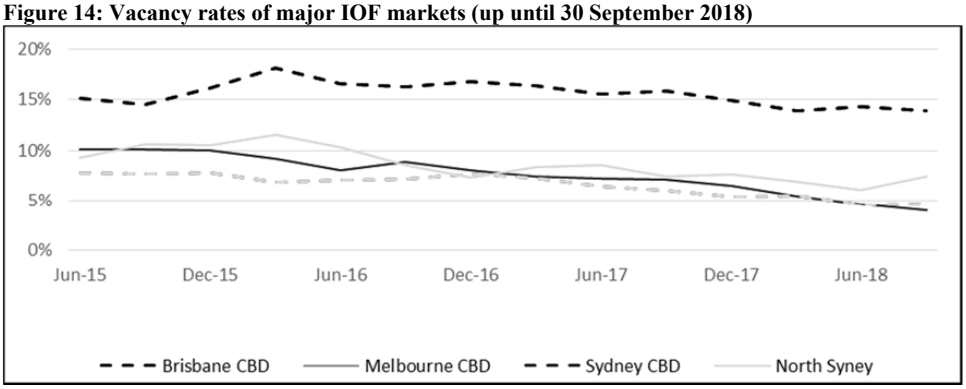
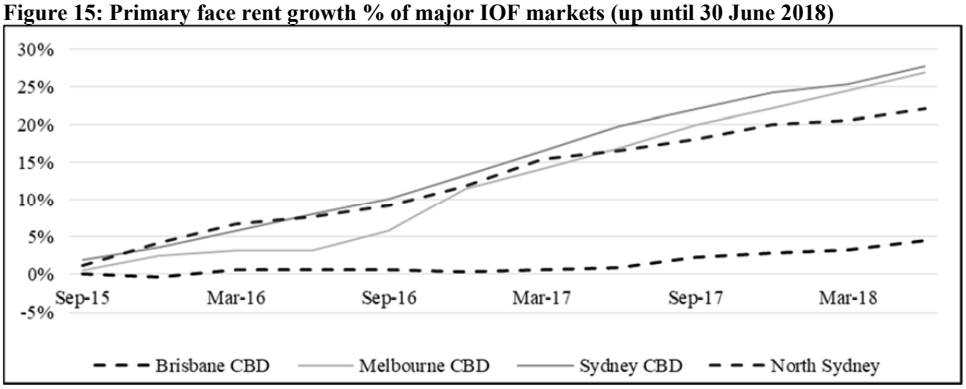
Figure 14: Vacancy rates of major IOF markets (up until 30 September 2018)



Source: JLL

Primary face rent has grown steadily since June 2015 in the Sydney CBD, North Sydney CBD and Melbourne CBD. Face rent growth in the Brisbane CBD has been more subdued in the period as illustrated in the following chart:

Figure 15: Primary face rent growth % of major IOF markets (up until 30 June 2018)



Source: JLL

Outlook

Continued growth in white-collar employment[58] and forecast reductions in commercial building vacancy rates are expected to support future revenue growth[59]. IBISWorld estimates office sector revenue to increase modestly by 1.2% per annum over the five years to June 2023 underpinned by employment growth in the Sydney and Melbourne markets[59]. IBISWorld further indicates that commercial building vacancy rates are forecast to decrease slightly, due to rising demand for office space, particularly in Perth and Brisbane, where vacancy rates are currently high. Competition is expected to increase from temporary office leasing, as businesses become more mobile.

Over the next five years, average annual growth in white-collar employment of 1.6%[60] is expected to contribute to continued property sector revenue growth. However, given the sustained low interest rate environment, investors have lowered return expectations for risk assets which will impact asset pricing models. Return expectations for Australian office property are roughly 1.5% lower than during 2017.[61]

As the drive towards more customer focussed and flexible working environments becomes more prominent, landlords that can offer these environments (shared facilities, customer experience, technology platforms, end of trip services, health & wellness spaces) are expected to have greater ability to attract

[58] Source: Colliers International, "2018 Office Investment Outlook, Sydney CBD"

[59] Source: IBISWorld, "Office Property Operators in Australia Industry Report", September 2017.

[60] Source: IBISWorld, "Total number of non-manual employees in the workforce", June 2015.

[61] Source: JLL, "Australian Office Investment Review and Outlook 2018", April 2018.

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6 November 2018

and retain the best tenants, therefore future-proofing their assets and building strong investment portfolios.

Sydney Outlook

CBD

Sydney has been the best performing market nationally, however, this has predominantly been driven by a supply shortage with supply levels reaching their lowest point in 20 years. Supply in the CBD is expected to be constrained in the next two years with the next supply cycle forecast to be approximately three years away. This is expected to act as a stimulus for tenants with larger requirements entering the market. Despite the new supply cycle being a few years away, competition to secure tenants is already underway, particularly for Premium grade buildings where the vacancy rate is higher than the average. Landlords are expected to favour longer leases for security, and those that can meet tenant expectation in regard to building design and amenity will be able to attract and retain quality tenants.

Historically low vacancy rates are also causing tenants to increasingly renew rather than relocate at expiry in order to make it financially viable to remain within the CBD. External relocations are considered but not actioned due to the lower incentives on offer[62].

Recent Sydney CBD growth can be attributed primarily to the IT, Flexible Space and Finance Industries, with Colliers identifying Education and Health as sectors that are expected to experience strong future growth[63]. In anticipation of a reduction in available space and business growth, tenants are looking to secure additional space (often more than they need) to capitalise on current prices, which are lower than anticipated for the future.

Looking forward, vacancy rates which have tightened from 4.8% to 4.6% in the six months to July 2018[64], are projected to continue trending downwards to below 3.0% by mid-2020 before new supply in late 2021[65]. Decentralisation could emerge as a growing trend as tenants are constrained by availability of space and affordability issues in the CBD, and accessibility to metro areas is improved.

Low vacancy continues to fuel both face rental and effective rental growth. Over the next two years, Knight Frank anticipates prime gross face rental growth to average between 7.0% and 8.0%, while incentive levels are forecast to trend towards 19% of aggregate value by mid-2020 (currently 20.6% as at July 2018). The average secondary gross face rent is forecast to grow by between 9.0% and 10.0% per annum over the next two years and secondary incentives are expected to trend down closer to 15% of aggregate value.

Metro

Sydney metro markets are expected to continue to gain popularity in line with continued population growth, improving infrastructure, and affordability. Yields have continued to compress over the six months to September 2018 and demand is expected to remain strong as investors look for savings in the long-term compared to the highly priced CBD.[66]

The vacancy rate in the A grade market in North Sydney has declined significantly from 6.9% in January 2018 to an extremely low level of 2.2% at July 2018[66]. The overall vacancy rate has declined from 7.9% to 6.3% over the same period. This is the lowest level of availability North Sydney has experienced since January 2002 and well below the 10 year average of 8.8%.[67] Driving this strong demand has been several large corporates migrating into North Sydney from other markets. With the no additional space expected

[62] Source: Colliers, "CBD Office Second Half 2018", August 2018.
[63] Ibid
[64] Source: Property Council of Australia Report, August 2018
[65] Source: Knight Frank: "Sydney CBD Office Market Overview", September 2018
[66] Source: Colliers, "Metro Office Second Half 2018", August 2018.
[67] Ibid

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over the next six months, the overall vacancy rate in North Sydney is expected to stay relatively low for the remainder of 2018 before the next additions commence from early 2019.[68]

Melbourne Outlook

In the long term, demand for office space in Melbourne's CBD is expected to remain strong in line with continued population and jobs growth forecast as well as a record $13.7 billion investment in government infrastructure during 2018 and 2019.[69] Whilst employment growth is expected to ensure sustained demand, new supply in the short term will be constrained up until 2020 with limited stock forecast to arrive in 2019 and most upcoming stock in late 2018 and early 2019 already pre-committed. With supply expected to be tight, moderate net absorption[70] is expected up until 2020 after which absorption levels are expected to rise with the arrival of new stock. Limited new office stock, along with sustained tenant demand fuelled by growing white collar employment, are also expected to keep Melbourne CBD vacancy rates at historic lows during 2019 before increasing by July 2020 to around 6.0%.[71]

Incentives continue to decline, albeit moderately at this point, averaging 26% of aggregate value for Premium grade, 29% for A grade and 28% for B grade space as at June 2018. Colliers expects that incentives will continue to decrease for the remainder of 2017, potentially falling to a range of 22% to 25% by late 2019 for prime office space.[72]

Brisbane Outlook

Improving economic conditions for Queensland are expected to drive a recovery in the commercial property market in Brisbane. In the absence of new supply in the short-term, vacancy rates declined to 14.6% in July 2018 from 16.1% in January. This improvement is expected to continue, with vacancy below 13% anticipated at the end of 2018[73]. Prime and secondary effective rents grew by 5.1% and 4.5%, respectively, in the 12 months to July 2018; and growth is expected to continue in 2019[74]. The long term supply pipeline continues to build while steady supply additions are forecast 2019-2022 resulting in a 4% stock increase over four years[75]. While this may impact total vacancy rate, prime vacancy rate is expected to outperform the secondary vacancy rate. Given the outlook includes effective rental growth, particularly for prime grade office, further yield compression, albeit at a lower level than previous years, is anticipated over the next 12 months.[76]

Perth Outlook

Signs of recovery are emerging in the Perth office market, following the downturn in mining activity. Whilst general demand remains subdued, tenants from metro markets have begun to move in to the CBD capitalising on favourable leasing conditions. There is a still, however, a significant differential between prime and secondary vacancy rates and this gap has been gradually widening since January 2013, to the extent where secondary buildings are now, on average, more than twice as vacant as their prime counterparts. Overall, increased demand for prime leasing is expected to drive total vacancy down from the historic high of 21.1% during 2016 to close to 15% by July 2020. As the prime leasing market improves, prime effective rents, which grew 3.4% compared with July 2017, are also forecast to grow as incentives erode.

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[68] Ibid

[69] Source: Knight Frank, Melbourne CBD Office Market Overview, September 2018.

[70] Net absorption is the rate at which available properties are sold in a specific real estate market during a given time period. It is calculated by dividing the average number of sales per month by the total number of available properties.

[71] Source: Knight Frank, Melbourne CBD Office Market Overview, September 2018.

[72] Source: Colliers, "Metro Office Second Half 2018", August 2018.

[73] Source: Knight Frank, Brisbane CBD Office Market Overview, September 2018

[74] Ibid

[75] Ibid

[76] Source: Colliers, "CBD Office Second Half 2018", August 2018.

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6 November 2018

Canberra Outlook

The overall vacancy rate across the total Canberra market has decreased from 13.2% to 12.5% as at July 2018, largely as a result of record high withdrawals amongst lower grade stock[77]. A grade vacancy remains high at 8.5% across the Canberra market, and 3.5% excluding the Airport, whilst vacancies in the parliament precinct and town centres remain around 21-22%, highlighting that Canberra effectively has a two tiered leasing market[78]. Whilst sales volumes are lower compared with this time last year, Colliers expects asset sales in the second half of 2018 to pick up with a number of major assets positioned to come to market and several assets currently in due diligence to settle shortly[79]. With respect to the leasing market, incentives are expected to remain steady having passed their peak, currently sitting at around 22% for A grade stock and 25% for B grade stock, a by-product of the still relatively high amount of stock available in the lower grade office markets.[80]

[77] Source: Knight Frank, "Canberra Office Brief", September 2018.
[78] Ibid.
[79] Source: Colliers, "Metro Office Second Half 2018", August 2018.
[80] Ibid.

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6 November 2018

Appendix 4 – Market evidence

Comparable companies

The following table sets out the market metrics for the comparable companies, as at the latest reporting date.

Table 25: Comparable company analysis

	Management basis[1]	Market capitalisation ($ million)	Premium/ (discount) to NTA (%)[2]	Distribution yield		FFO multiple	
				FY18	FY19	FY18	FY19
Investa Office Fund	**E**	**2,771**	**(6.5%)**	**4.4%**	**4.4%**	**15.1**	**15.9**
Primarily Office REITs							
DEXUS	I	10,375	5.8%	4.7%	4.9%	15.9	15.8
Growthpoint Properties Australia	I	2,452	13.8%	6.1%	6.3%	14.9	14.2
Cromwell Property Group	I	2,045	7.3%	8.1%	7.8%	13.0	13.4
GDI Property Group	I	692	9.3%	6.0%	6.2%	15.4	n/a
Investec Australia Property Fund	E	560	(9.3%)	7.9%	n/a[4]	n/a	n/a
Centuria Metropolitan REIT	E	571	(5.6%)	7.7%	7.5%	n/a	n/a
Australian Unity Office Fund[3]	E	435	0.0%	5.8%	n/a	16.1	n/a
Diversified REITs							
Stockland	I	8,760	(13.6%)	7.4%	7.8%	10.1	9.6
GPT Group	I	9,313	(2.8%)	4.9%	5.0%	16.3	15.6
Mirvac Group	I	8,050	(6.1%)	5.1%	5.3%	13.2	12.9
Charter Hall Group	I	3,214	80.6%	5.3%	5.2%	18.5	18.3
Abacus Property Group	I	1,900	3.1%	5.5%	5.7%	11.2	n/a
Charter Hall Long WALE REIT	E	957	1.7%	6.4%	6.5%	n/a	n/a
Propertylink Group	I	705	12.5%	6.2%	6.1%	n/a	n/a
Industria REIT	E	412	(6.3%)	6.5%	6.8%	13.7	13.2

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Notes:

Multiples are based on security prices as at 31 October 2018 except for IOF, which is based on the security price at 25 May 2018.

1. *"I" denotes internally managed A-REIT, while "E" denotes externally managed A-REIT*
2. *Based on book value as at 30 June 2018, except for IOF which is based on NTA as at 31 December 2017*
3. *With regard to Australian Unity Office Fund, the one month VWAP prior to the announcement of the Starwood Capital Group proposal to acquire Australian Unity Office Fund on 8 October 2018 has been used as the current share price includes a control premium*
4. *Not applicable*

Primarily Office REITs

Dexus Property Group

Dexus is an internally managed office A-REIT listed on the ASX. At 30 June 2018, it had $27.2 billion in AUM comprising a $13.3 billion investment property portfolio and $13.9 billion in third party funds. Dexus' investment portfolio comprises 83% office properties with the rest of the portfolio weighted towards mostly industrial properties. It also had a $4.2 billion development pipeline at 30 June 2018, of which $2.1 billion sits within the Dexus portfolio. The office portfolio consists primarily of prime CBD office properties. Premium and A-grade office assets represent approximately 36% and 56% of the portfolio, respectively. Dexus has a 70% exposure to the Sydney office market, 15% in Queensland and 7% in Victoria. As at 30 June 2018, the office portfolio had average occupancy (by income) of 96% and a WALE of 4.6 years. Dexus is trading at premium to NTA, reflecting its large development pipeline and third party funds management business. Its relatively low yields likely reflect its high quality property portfolio and weighting towards the Sydney office market, the fundamentals of which continue to be favourable.

Growthpoint Properties Australia

Growthpoint Properties Australia (Growthpoint) is an internally managed A-REIT. Its $3.4 billion property portfolio comprises 57 properties across the office (66%) and industrial (34%) sectors. As at 30 June 2018, the portfolio had an average occupancy of 98% and a WALE of 5.3 years. The FY18 results presentation noted a development opportunity of 19,300 square metres in Richmond, Victoria and expansion in Gepps Cross, SA. At the time of the report, work was not underway at either site but is expected to begin in FY19. Growthpoint's properties are located in Victoria (29%), NSW (27%), Queensland (26%), South Australia (6%), Western Australia (6%), the ACT (5%) and Tasmania (1%). The majority of Growthpoint's tenants (56%) are listed companies with a further 24% of properties

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occupied by government owned entities. The company's substantial premium to NTA likely reflects development opportunities associated with the industrial sites and potentially and an expectation of a valuation uplift. Its relatively high yield likely reflects its exposure to the industrial property sector and high payout ratio.

Cromwell Property Group

Cromwell Property Group (Cromwell) is an internally managed office A-REIT. At 30 June 2018, it had a $2.5 billion investment property portfolio and $8.7 billion in properties managed on behalf of third parties. AUM include the company's new European REIT (CEREIT) which is mostly focused in the Office and Retail sectors, launched on 30 November 2017 and listed in Singapore. These assets are mostly focused in the Office and Retail sectors with a value of $2.2 billion at 31 December 2017. Cromwell's investment portfolio comprises 86% office properties and is located throughout Australia including NSW (51.5%), the ACT (18.9%), Queensland (15.5%) and Victoria (10.0%). As at 30 June 2018, its $2.5 billion property portfolio had an occupancy of 94.1%, WALE of 7.2 years. Cromwell's substantial premium to NTA reflects the value attributed to its third party funds management activities, relative to its investment property portfolio and potentially, an expectation of a valuation uplift. Its yield is relatively high, reflecting the quality of its investment property portfolio, low occupancy and high payout ratio.

GDI Property Group Limited

GDI Property Group Limited (GDI) is an internally managed office A-REIT. At 30 June 2018, it had over $1.1 billion in AUM, including a $722 million investment property portfolio and $370 million of third party funds. GDI's investment portfolio comprises four properties, two in Perth CBD and one in each of Surfers Paradise and Townsville. The portfolio has an average occupancy of 84% and WALE of 2.7 years. The FY18 report noted that GDI intends to partner together with Lendlease to explore the development potential of creating a leading commercial and retail precinct in the City of Perth at the site of its Mill Green property. It also noted that a development application (DA) is expected to be lodged for a 3,300sqm office building has been submitted for the Westralia Square property. On 24 August 2018, GDI announced that it had exchanged contracts to sell the Ashfield property for $46.0 million, an $11.0 million premium over its December 2016 purchase price. A premium to NTA likely reflects the impact of the buyback and the extent of its third party funds management activities. Its relatively high yield reflects its lower quality investment property portfolio, low occupancy, short WALE and high payout ratio.

Investec Australia Property Fund

Investec Australia Property Fund (IAPF) is an externally managed diversified A-REIT invested in office (77%) and industrial (23%) property in Australia and New Zealand. At 31 March 2018, IAPF had a portfolio of 26 properties with a value of $987 million. Occupancy (by revenue) was 98.5% with a WALE (by revenue) of 5.1 years at 31 March 2018. IAFP's properties are located in NSW (38%), QLD (20%), VIC (19%) and New Zealand (12%) among others. The fund is currently listed on the Johannesburg Stock Exchange (JSE), however at the announcement of interim results to 30 September 2017, management stated that it was considering a dual listing on the JSE and ASX. This option is still being explored by management. The discount to NTA and high distribution yield likely reflects its absence of an ASX listing, illiquid trading, external management structure and, potentially, currency risk exposure.

Centuria Metropolitan REIT

Centuria Metropolitan REIT (CMA) is an externally managed A-REIT that owns a portfolio of 19 metropolitan office building assets. At 30 June 2018 it had a $0.9 billion diversified investment property portfolio. The portfolio focuses on A-grade metro assets and has an average occupancy of 98.9% and a 4.0 year WALE. On 10 October 2018, Centuria announced that it had acquired interests in four high quality metropolitan office assets for $500.9 million (before transaction costs and net of $20m contribution from Centuria Property Funds Limited) and an underwritten equity raise of approximately $276 million at an issue price of $2.43 per CMA security. It is trading at around NTA reflecting that it is a passive, externally managed A-REIT. Its relatively high yield likely reflects that its property assets are outside the core CBD locations as well as its relatively short WALE.

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6 November 2018

Australian Unity Office Fund

Australian Unity Office Fund (Australian Unity) is an externally managed A-REIT that owns a portfolio of 9 metropolitan office assets across Australian metropolitan and CBD markets. At 30 June 2018 its portfolio was $635.6 million with a number properties under development. The portfolio has an average occupancy of 95.6% and a 6.88 year WALE. In FY18, Australian Unity acquired a property in Brisbane for $105.75 and received a DA for a commercial office development at 10 Valentine, Parramatta. Australian Unity's portfolio is located across five states, NSW (39%), SA (22%), Queensland (26%), Victoria (9%) and ACT (4%). On 8 October 2018, AOF announced that it had received an unsolicited, indicative and non-binding proposal from Starwood Capital Group to acquire all of the issued units in AOF for $2.95 cash per AOF unit, by way of a trust scheme. As such, the one month VWAP prior to the announcement has been adopted as the current share price includes a control premium. Prior to the announcement, it was trading at around NTA, reflecting that it is a relatively small, externally managed, passive A-REIT. Its dividend yield is moderate, reflecting the impact of having a large share of properties outside core CBD markets and a high distribution payout ratio.

Diversified REIT's

Stockland

Stockland Corporation Limited (Stockland) is an internally managed A-REIT that is engaged in investment, management and development of properties across a range of sectors. As at 30 June 2018, Stockland's cira $15 billion investment portfolio was diversified across mostly retail (49%), logistics and business parks (15%), office (5%) residential communities (22%) and retirement living communities (9%). The Stockland portfolio is geographically diverse, with assets in NSW (52%), Queensland (21%), Victoria (18%), Western Australia (7%) and South Australia and the ACT (2%). On 6 September 2018, Stockland announced that it intended to initiate an on-market buy-back for up to $350 million of Stockland securities on issue, as part of its active approach to capital management. It intends to fund the buy-back from existing facilities. Stockland is trading slightly below with NTA likely as value associated with development activities is more than offset by the softness in the retirement living and retail sectors.

GPT Group

GPT Group (GPT) is an internally managed diversified A-REIT. At 30 June 2018, GPT had $25.4 billion AUM, comprising a $13.0 billion property portfolio and $12.4 billion in third party funds. GPT's investment portfolio includes retail (46%), office (41%) and logistics (13%) properties. As a t30 June 2018, the office portfolio was diversified across NSW (58%), Victoria (31%) and Queensland (11%) with an average occupancy (by income) of 96.6% and a WALE (by income) of 5.3 years. GPT's third party funds include the GPT Wholesale Office Fund and the GPT Wholesale Shopping Centre fund with total assets of $7.5 billion and $4.9 billion respectively. The primary investors in each fund include domestic super funds, offshore pension funds and GPT itself (which holds a 25% ownership interest). On 24 August 2018, GPT announced it had exchanged unconditional contracts to acquire a 100 per cent interest in Eclipse Tower at 60 Station Street, Parramatta for $277.6 million.

Mirvac Group

Mirvac Group (Mirvac) is an internally managed diversified A-REIT. Mirvac has a $9.8 billion investment portfolio and a further $0.3 billion of other assets. Mirvac's investment portfolio includes office (59%), retail (33%) and industrial (8%). The office portfolio mainly includes 35% premium office properties, 619% A-Grade, 0% B-Grade and 4% C-Grade properties. The office portfolio is geographically diverse with properties in NSW (58%), Victoria (26 %), Western Australia (8%), the ACT (5%) and Queensland (3%). As at 30 June 2018, the portfolio had average occupancy of 98.7% and a WALE of 5.6 years. Mirvac is trading almost at par to NTA, likely as the value associated with its development activities is offset by the weak performance of the retail A-REIT sector.

Charter Hall Group

Charter Hall Group (Charter Hall) is an internally managed diversified A-REIT. At 30 June 2018, Charter Hall had $1.7 billion in direct investment holdings and $23.2 billion in funds under management. Its direct investments comprised properties in the office (40%), retail (24%) and industrial (25%) sectors, with the remainder invested in long WALE diversified REITs. Charter Hall's properties are located in NSW, Queensland, Victoria, Western Australia, South Australia, Tasmania and the ACT. At 30 June

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2018, the investment portfolio had a WALE of 7.2 years and occupancy of 97.9%. Charter Hall trades at a substantial premium to NTA, reflecting the value attributed to its extensive third party funds management business, the income from which significantly outweighs that of direct property investments.

Abacus Property Group

Abacus Property Group (Abacus) is an internally managed diversified A-REIT with approximately $2.7 billion in AUM comprising a $1.9 billion property portfolio, including $130 million in co-investments, and $401 million in development and property lending activities. The investment portfolio comprises commercial (69%) and storage property assets (31%) while third party funds are primarily in the retail sector. As at 30 June 2018, Abacus' portfolio included assets located in NSW (29%), Victoria (30%), Queensland (22%), the ACT (9%), South Australia (4%) as well as New Zealand (6%). The investment portfolio had an average occupancy of 91.3% and a WALE of 4.1 years. On 31 August 2018, Abacus entered into a second joint venture partnership with Heitman LLC with simultaneous exchange and settlement of a high quality city fringe commercial building in Brisbane for approximately $170 million. On 25 September 2018, Abacus announced that the Abacus Hospitality fund had divested its final asset, the Novotel Twin Waters Resort, on the Sunshine Coast for $88.5 million. The premium to NTA likely reflects the extent of the group's extensive third party funds management activities and development pipeline.

Charter Hall Long WALE REIT

Charter Hall Long WALE REIT (WRT) is an externally managed A-REIT investing in a variety of office, industrial and retail properties leased to corporate and government tenants on long-term leases. At 30 June 2018, WRT had occupancy of 100% and a WALE of 10.8 years. The $1.5 billion property portfolio comprises 81 properties across the industrial (45%), office (30%) and retail (25%) sectors. The portfolio is geographically diverse with properties in Western Australia (23%), South Australia (21%), Victoria (22%), Queensland (21%), NSW (12%) and Tasmania (1%). On 4 September 2018, WRT announced the acquisition of Club Hotel and First Choice Liquor, Waterford, Brisbane (Property) for $22.0 million and of an additional 4.9% interest in the Long WALE Investment Partnership (LWIP) from Charter Hall Group, of which it already owns 45.0%, for a $20.9 million. On 2 October 2018, WRT entered into a contract to acquire a 50% interest in 85 George Street in the Brisbane CBD, with the Charter Hall Direct PFA Fund (PFA) acquiring the other 50% interest in this property. It is trading at a substantial premium to NTA, which potentially reflects its exposure to the industrial sector.

Propertylink Group

Propertylink Group (Propertylink) is an internally managed real estate group that owns and manages a diversified portfolio of logistics, business park and office properties. As at 30 June 2018, Propertylink had a $0.8 billion industrial property portfolio as well as $1.0 billion in third party funds under management and $0.1 billion in co-investments. At this date the portfolio, comprising 30 properties, had occupancy of 99.2% and a WALE of 3.8 years. Asset type included logistics (31%), business park (25%), warehouse (22%), unit estate (18%) and development (4%), made up of 78% prime and 18% secondary assets. Propertylink's portfolio is located across four states, NSW (48%), Victoria (35%) Queensland (13%) and Western Australia (4%). The Group is trading at a substantial premium to NTA, likely a result of its extensive third party funds management business and the take speculation it has been subject to recently. Key events leading into October 2018 have been summarised below:

- on 13 September 2018, Propertylink submitted a non-binding and indicative offer to acquire all outstanding units in Centuria Industrial REIT (CIP) for a consideration of 2.5327 PLG securities and $0.33 cash for each CIP unit, valuing CIP units at $3.04 per unit based on PLG's close price on 12 September 2018
- on 21 September 2018, Propertylink received a letter from ESR Real Estate (Australia) Pty Limited setting out a non-binding proposal to acquire all of the stapled securities of Propertylink for $1.15 cash per stapled security by way of an agreed off-market takeover offer,
- on 2 October 2018, CIP announced that its Independent Board Committee had rejected Propertylink's proposal, and

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- on 3 October 2018, Propertylink responded to CIP's rejection, maintaining its position that the proposal would provide significant benefits to CIP unitholders and Propertylink securityholders and should be put forward for CIP unitholders' consideration by the independent board committee.

Industria REIT

Industria REIT is an externally managed REIT managed by APN Property Group. At 30 June 2018 it had a $0.7 billion investment property portfolio comprising 51% office and 49% industrial assets. The portfolio has an average occupancy of 95% and a 6.9 year WALE. Industria's properties are located in NSW (58%), Queensland (22%), Victoria (18%) and South Australia (2%). On 4 September 2018, Industria acquired a warehouse property in Derrimut, Victoria for $10.575 million.

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6 November 2018

Comparable transactions

The following table sets out a summary of transactions that have taken place since 2009 involving A-REITs.

Table 26: Comparable Transaction analysis

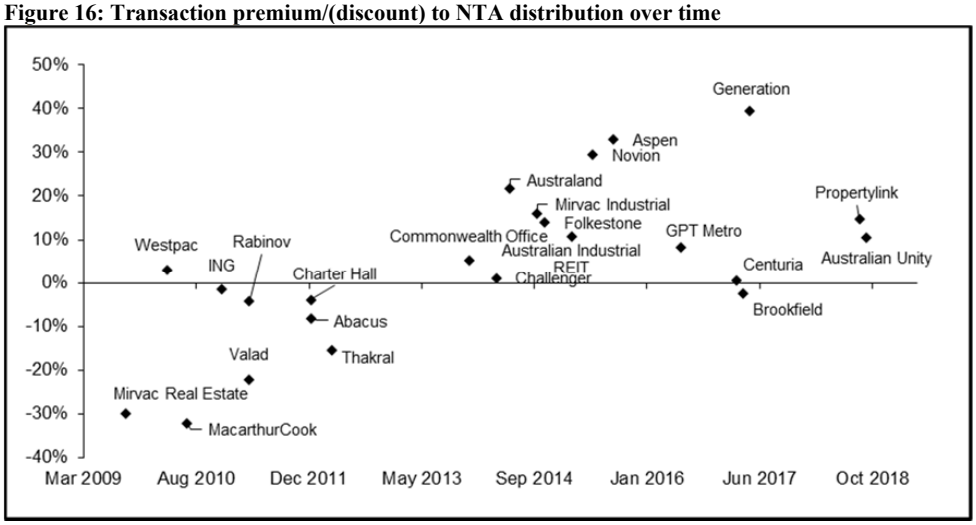
Announcement date	Transaction	Internally/ externally managed[1]	Transaction ($ million)	Premium/ (discount) to NTA[2]	Exit yield Historical	Exit yield Forecast	Premium/ (discount) to VWAP[3]
Oct 2018	Australian Unity Office Fund[4]	E	480.3	10.5%	5.3%	na	10.2%
Sep 2018	Propertylink Group[4]	I	693.2	14.7%	6.3%	6.3%	7.5%
May 2017	Generation Healthcare REIT	E	507.5	39.5%	3.9%	3.9%	13.3%
Apr 2017	Centuria Urban REIT	E	27.2	0.4%	9.1%	8.1%	na
Mar 2017	Brookfield Prime Property Fund	E	310.0	(2.5%)	2.9%	na	16.0%
Jun 2016	GPT Metro Office Fund	E	321.3	8.2%	6.1%	6.2%	21.4%
Sep 2015	The Aspen Group	E	149.8	33.0%	6.3%	6.3%	na
Jun 2015	Novion Property Group	I	8,045.5	29.4%	5.3%	5.4%	15.7%
Mar 2015	Australian Industrial REIT	E	203.3	10.8%	8.3%	8.7%	6.9%
Nov 2014	Folkestone Social Infrastructure	E	70.2	14.0%	6.5%	6.1%	15.4%
Oct 2014	Mirvac Industrial Trust	E	77.6	16.1%	na	na	22.8%
Jun 2014	Australand Property Group	I	2,606.5	21.7%	4.7%	na	14.6%
Apr 2014	Challenger Diversified Property	E	586.6	1.1%	6.7%	6.8%	6.4%
Dec 2013	Commonwealth Property Office	E	2,910.0	5.2%	5.3%	5.0%	14.8%
Apr 2012	Thakral Holdings Ltd	I	507.0	(15.6%)	na	na	32.3%
Jan 2012	Charter Hall Office REIT	E	1,228.4	(3.9%)	na	5.3-6.5%	22.9%
Jan 2012	Abacus Storage Fund	I	132.0	(8.2%)	7.4%	na	n/a
Apr 2011	Valad Property Group	I	209.0	(22.1%)	na	na	52.0%
Apr 2011	Rabinov Property Trust	E	50.0	(4.3%)	10.0%	8.6%	35.8%
Dec 2010	ING Industrial Fund	E	1,395.0	(1.5%)	3.0%	6.0%	11.9%
Jul 2010	MacarthurCook Industrial Fund	E	43.3	(32.1%)	4.1%	4.1%	46.7%
Apr 2010	Westpac Office Trust	E	417.0	3.1%	7.7%	7.7%	14.2%
Oct 2009	Mirvac Real Estate Trust	E	373.0	(29.9%)	5.5%	5.5%	56.0%

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Notes:

1. *"I" denotes internally managed A-REIT and "E" denotes externally managed A-REIT*
2. *NTA from the last financial report for each target entity*
3. *One month VWAP prior to the announcement of the transaction or notable corporate activity.*
4. *Acquisition was announced but not complete as at the time of this report*

Figure 16: Transaction premium/(discount) to NTA distribution over time



Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

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6 November 2018

Acquisition of Australian Unity Office Fund by Starwood Capital Asia Limited (pending)

On 8 October, 2018, Australian Unity Investment Real Estate Limited (AUIREL) as responsible entity of Australian Unity, announced that it had received an unsolicited, indicative and non-binding proposal from Starwood Capital Asia Limited, on behalf of funds managed or advised by Starwood Capital Group or its affiliates (collectively, Starwood) to acquire all of the issued units in Australian Unity for $2.95 cash per unit, by way of a trust scheme. AOF is an ASX-listed REIT that wholly owns a diversified portfolio of nine office properties located across Australian metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra and has a substantial development pipeline ($1.1 billion).

Acquisition of Propertylink Group by ESR Real Estate (Australia) Pty Limited (pending)

On 21 September 2018, Propertylink received a letter from ESR Real Estate (Australia) Pty Limited setting out a non-binding proposal to acquire all of the stapled securities of Propertylink for $1.15 cash per stapled security by way of an agreed off-market takeover offer. The offer price represents a 14.7% premium to NTA as at 30 June 2018. As at 30 June 2018, Propertylink had a $0.8 billion industrial property portfolio as well as $1.0 billion in third party funds under management and $0.1 billion in co-investments. At this date the portfolio, comprising 30 properties, had occupancy of 99.2% and a WALE of 3.8 years. Asset types included logistics (31%), business parks (25%), warehouses (22%), unit estate (18%) and development (4%), made up of 78% prime and 18% secondary assets. Propertylink's portfolio is located across four states, NSW (48%), Victoria (35%) Queensland (13%) and Western Australia (4%).

Acquisition of Generation Healthcare REIT by Northwest Australia

On 5 May 2017, Northwest Australia (Northwest) announced that it had achieved a 50.25% majority stake in Generation Healthcare REIT (Generation Healthcare) and made an all-cash unconditional offer to buy all remaining units for $2.30 per unit. The offer price of $2.30 per unit represented a premium of 49.3% to Generation Healthcare's NTA per unit of $1.54 reported at 31 December 2016 and a 13.4% premium to its one day and one month VWAPs at 21 April 2017 (the last trading day prior to the announcement of the proposal). The premium to the adjusted NTA as per the independent expert report is 39.5% (mid-point of the NTA range). At the time of receiving the offer, Generation Healthcare was an externally managed A-REIT with interests in a portfolio of property assets in the healthcare sector including hospitals, medical centres and residential aged care facilities and a $110 million development pipeline. At 31 December 2016 the fund had assets under management of $621 million located in Victoria, Queensland and NSW. The portfolio had a WALE of 12.1 years and occupancy of 98.7%. The transaction occurred at a material premium to NTA, reflecting the strong growth outlook for the healthcare sector and its substantial development pipeline. Its relatively low yield reflects the high occupancy, long WALE of the portfolio, relatively low distribution payout ratio and the stage of the property cycle.

Merger of Centuria Urban REIT and Centuria Metropolitan REIT

On 3 March 2017, Centuria Property Funds announced that it had entered an agreement where Centuria Metropolitan REIT (CMA) would acquire all of the issued units in Centuria Urban REIT (CUA) by way of a proposed trust scheme. As part of the scheme, CUA unit holders would receive 0.88 new CMA units plus $0.23 cash consideration for every CUA unit held. CUA is a passive, externally managed REIT that was previously listed on the ASX focusing on Australian A-grade suburban and B-grade CBD office properties. In advance of the merger, its portfolio consisted of three A-grade suburban office properties (two in Brisbane and one in Melbourne). At 31 December 2016, CUA had a WALE of 4.6 years and an occupancy by NLA of 99.2%. The mid-point value of the scheme consideration of $2.28 per unit (as assessed by the independent expert) was in line with reported NTA of $2.27 at 31 December 2016. The limited premium to NTA reflects that it is a passive, externally managed A-REIT. Implied yields are relatively high, reflecting the nature of the portfolio, its small scale, short WALE and high distribution payout ratio.

Acquisition of Brookfield Prime Property Fund by Brookfield BPPF Investments Trust

On 7 April 2017, the directors of Brookfield Prime Property Fund (BPA) announced that it had received a proposal from Brookfield BPPF Investments Trust (BPPF) to acquire the remaining units of BPA with an all-cash conditional offer of $8.89 per unit less the amount of any distributions paid or payable on or after

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28 March 2017. The adjusted offer price of $8.815 per unit represented a 2.5% discount compared with adjusted NTA (adjusted for property valuations as at March 2017) and a premium of 16% to the 30 day VWAP to 6 April 2017 of $7.59 per unit and 18% compared with the ASX closing price of $7.50 on 6 April 2017 (although we note that BPA was illiquid and had a limited free float). BPA was a passive, externally managed A-REIT with a portfolio of interests in four A-grade office buildings in the CBDs of Sydney and Perth. At 31 December 2016, the fund's three properties had a total value of $707 million. The portfolio had a WALE by income of 4.7 years and was 91% occupied. The discount to NTA likely reflects that it is a passive, externally managed A-REIT which was owned 80.47% by Brookfield Group with limited liquidity. Implied yields are low, mainly reflecting its very low payout ratio (16% of EPS in FY17) as well as its high management fee structure.

Acquisition of GPT Metro Office Fund by Growthpoint Properties Australia

On 5 April 2016, Growthpoint Properties Australia (Growthpoint) announced a proposal to acquire all outstanding units in GPT Metro Office Fund by way of an off-market takeover bid. The initial consideration was 0.3756 Growthpoint securities plus $1.185 cash for each GPT Metro Office Fund unit. Following an increase in property valuations, the consideration was increased to 0.3968 Growthpoint securities plus $1.25 cash per GPT Metro unit and a cash option of $2.50 per GPT Metro Office Fund unit was offered. The transaction occurred as part of a competitive bidding process with Centuria Metropolitan REIT. Based on the mid-point of the consideration (as assessed by the independent expert) of $2.52, the implied value of the mixed consideration represented an 8.2% premium to NTA as at 30 June 2016, a 21.4% premium compared with the ASX closing price of GPT Metro Office Fund on 1 April 2016 and the one month VWAP. GPT Metro Office Fund was a passive, externally managed A-REIT and owned six A-Grade metropolitan and business park office properties across Sydney, Melbourne and Brisbane. At 30 June 2016, GPT Metro Office Fund had a WALE by income of 5.5 years and 94.9% occupancy. The company had no significant development activity in the year to 30 June 2016. The relatively high premium to NTA given the passive nature of the fund likely reflects the impact of the competitive bidding process as well as that it occurred at a time when A-REITs were trading above NTA.

Acquisition of Aspen Parks Property Fund by Discovery Parks Group

On 14 September 2015, Aspen Group and Aspen Parks Property Fund (Aspen Parks) announced that they had entered into a merger implementation deed whereby the two entities would merge to create a quadruple stapled group in a cash and scrip transaction. Subsequent to this offer, Discovery Parks Group made two unsolicited takeover offers for the fund. On 23 December 2015, Discovery Parks Group had received acceptances from 90% of the unit holders. Aspen Parks at that time owned 26 holiday parks, valued at $190 million, including caravan parks, cabins, camping and self-contained facilities. The significant premium to NTA likely reflects the competitive bidding process and the positive re-rating of A-REITs during this period.

Merger of Novion Property Group and Federation Centres

On 3 February 2015, Novion Property Group (Novion) announced its intention to enter into a merger implementation agreement with Federation Centres. Pursuant to the deal Novion security holders would own 64%of the merged entity following the transaction. Novion is an internally managed retail property group listed on the ASX. It was a stapled entity comprising Novion Limited and Novion Trust and had at that time $14.9 billion of retail AUM, including a $9.1 billion investment portfolio and $5.7 billion of third party funds management. The transaction occurred at a material premium to NTA, likely reflecting the extent of Novion's third party funds management activities and positive re-rating of A-REITs at this time.

Acquisition of Australian Industrial REIT by 360 Capital Industrial Fund

On 18 December 2014, Fife Capital Funds Limited (Fife Capital), the responsible entity for Australian Industrial REIT (ANI) announced that it had received an unsolicited, indicative and non-binding proposal from 360 Capital, as the responsible entity for 360 Capital Industrial Fund (360 Industrial), to acquire 100% of the units in ANI by way of a trust scheme. On 19 December 2014, 360 Capital announced an unsolicited off-market takeover offer for ANI for consideration of 0.89 units in 360 Industrial Fund plus 3 cents for each ANI unit if before the end of the offer period a member of 360 Capital Group is appointed

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responsible entity of ANI or in excess of 50% of ANI unitholders accept the offer. On 24 March 2015, the offer was increased to 0.9 units in 360 Industrial Fund plus 4.5 cents for each ANI unit plus 10 cents cash if before the end of the offer period a member of 360 Capital Group was appointed responsible entity of ANI or in excess of 50% of ANI unitholders accepted the offer. As at 31 December 2014, ANI held a portfolio of 16 industrial properties with a combined carrying value of $320.4 million. The substantial premium to NTA likely reflects the revised terms of the offer, the potential to further develop the industrial sites and re-rating of the A-REIT sector over this period.

Acquisition of Folkestone Social Infrastructure Trust with Folkestone Education Trust

On 13 November 2014, Folkestone Real Estate Management Limited, in its capacity as responsible entity of Folkestone Social Infrastructure Trust (FST), announced a merger by way of a trust scheme that would result in Folkestone Education Trust (FET) acquiring 100% of the units in FST. The offer consideration included a cash component of $0.675 per FST unit held and 1.32 securities in FET for every one FST unit held. FST primarily invested in properties within the early education, government and healthcare sectors. As at 30 June 2014, FST reported $116.1 million in total assets.

Acquisition of Mirvac Industrial Trust by AustFunding Pty Limited

On 19 September 2014, Mirvac Funds Management Limited (MFML), the responsible entity of Mirvac Industrial Trust (MIX) announced that it had agreed to a transaction whereby AustFunding Pty Limited would acquire all of the units of MIX in a cash transaction via a trust scheme. The principal activity of MIX was the ownership of an industrial property portfolio in the greater Chicago metropolitan region in the US. As at 30 June 2014, MIX held gross assets of $192.0 million.

Acquisition of Australand Property Group by Frasers Centrepoint Limited

On 4 June 2014, Australand Property Group (Australand) received a conditional proposal from Frasers Centrepoint Limited (Frasers) for the acquisition of all of Australand's securities. The offer consideration was $4.48 per security for a total of $2.6 billion. Australand was a diversified REIT that was involved in property investment and development, property trust management and property management. Its primary focus was around commercial and industrial sectors with some focus on residential development. Australand's property investment division was comprised of 68 industrial and office assets located mostly in Melbourne, Sydney and Brisbane. The significant premium to NTA likely reflects Australand's significant development pipeline as well as the competitive bidding process.

Acquisition of Challenger Diversified Property Group by Challenger Life Company Limited

On 11 April 2014, Challenger Australia Listed Property Holding Trust, a related entity of Challenger Life Company Limited, announced an off-market takeover offer for all units of Challenger Diversified Property Group (CDI), for cash consideration of $2.74 per unit. CDI was a diversified REIT with an interest in 27 office, retail and industrial properties located in Australia and France. CDI also held the lease on Sydney's Domain car park and engaged in property development activities. CDI was largely a passive investment vehicle, with the majority of earnings generated from its investment properties. As at 31 December 2013, CDI had a total asset value of $888 million. CDI's property portfolio was diversified across the office (59%), retail (19%), industrial (18%) and hi-tech office (4%) sectors predominantly focussed in Victoria, NSW and ACT.

Acquisition of Commonwealth Property Office Fund by DEXUS and CPPIB

On 11 December 2013, DEXUS, in conjunction with CPPIB, announced its intention to make a conditional off-market takeover offer for all of the outstanding units in Commonwealth Property Office Fund for cash and scrip consideration for approximately $1.24 per unit. As at 31 December 2013, Commonwealth Property Office Fund had 25 office assets with a total value of $3.8 billion and WACR of 7.3%. Its property portfolio was concentrated in NSW and Victoria, comprising 46.0% and 30.7% of the total portfolio value respectively. Its property portfolio comprised 13% premium grade property assets and 76% A Grade properties. The transaction followed a competitive bidding process by DEXUS and The GPT Group (GPT). Commonwealth Property Office Fund had a WALE of 4.7 years and an occupancy of 95.6%.

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6 November 2018

Acquisition of Thakral Holdings Limited by Brookfield Asset Management Inc.

On 19 April 2012, Brookfield Asset Management Inc. (Brookfield) announced a takeover offer of Thakral Holdings Limited (Thakral) at $0.70 per stapled security. On the same date, Brookfield enforced security under debentures which provided Brookfield with a relevant interest in 38.6% of Thakral. The directors unanimously recommended that shareholders reject the Brookfield offer. On 22 August 2012, Brookfield and Thakral entered into an implementation deed whereby Brookfield agreed to increase its offer to $0.81 per stapled security if it became entitled to 90% of Thakral securities, which occurred on 11 September 2012. Thakral's primary activity was investment in hotel, leisure, retail and commercial properties and the management of hotels in Australia. In addition, Thakral was engaged in property development activities. For the year ended 30 June 2012, Thakral's revenue comprised 79% from hotel, retail and commercial investments, and 21% from property development activities.

Acquisition of Charter Hall Office REIT by a Consortium including Charter Hall Group

On 3 January 2012, the Charter Hall Office REIT's (CQO) independent directors announced they had entered into a scheme implementation agreement with a consortium including Charter Hall Group, under which CQO, would receive a cash payment of $2.49 per CQO unit. CQO invested predominantly in high grade office buildings and at 31 December 2011, had an Australian property portfolio with total value of $1.8 billion, geographically diversified across NSW, Victoria, Queensland, South Australia and the ACT. The office portfolio was predominantly high grade assets, with 63% Premium properties and 34% A Grade assets. The portfolio had a WALE of 4.5 years, and an occupancy of 97% and a WACR of 7.8%.

Merger of Abacus Storage Fund with Abacus Property Group

On 13 January 2012, Abacus Property Group (APG) announced its intention to merge with Abacus Storage Fund (Abacus). APG was an internally managed listed stapled entity, with exposure to a diversified portfolio of commercial, retail and industrial property, mortgage investments and property development ventures and property funds management activities. Abacus was an unlisted stapled entity and is one of the largest participants in the Australasian self-storage sector, owning at that time a portfolio of 41 self-storage facilities with 30 in Australia and 11 in New Zealand and a commercial property with a total value of approximately $332 million. Abacus' income was generated from storage rental income, which is subject to fluctuations as a result of the short term nature of the contracts. As such, the discount to NTA in part likely reflected this inherent risk in Abacus' income stream.

Acquisition of Valad Property Group by Blackstone Real Estate Advisors LLC

On 29 April 2011, Valad Property Group (Valad) announced that it had entered into a scheme of arrangement with Blackstone Real Estate Advisors LLC to acquire all of the issued shares in Valad for $1.80 per Valad security. At 31 December 2013, Valad's property portfolio consisted of 27 properties, valued at $569 million in across the office (31%), industrial (28%), bulky goods (24%) and hotel and residential sectors in Australia (88%) and New Zealand (12%). Valad was highly geared and had not paid a distribution since 2008.

Acquisition of Rabinov Property Trust by Growthpoint Properties Australia

On 13 April 2011, Growthpoint Properties Australia and Rabinov Property Trust (Rabinov) jointly announced an off-market takeover by Growthpoint Properties Australia for 100% of Rabinov via a scrip offer. Rabinov was a diversified property investment vehicle which, as at 31 December 2010, had a portfolio of 12 properties valued at $235 million comprising office (69.8%), industrial (28.3%) and retail (2.1%) properties. Whilst spread across Australia, the properties were concentrated in Victoria (70.6% of the property portfolio).

Acquisition of ING Industrial Fund by a Consortium led by Goodman Group

On 24 December 2010, ING Industrial Fund (ING) announced that it had entered into an implementation agreement with Goodman Group and a Consortium, to acquire all the units in ING for cash consideration of $0.546 per ING unit. ING developed, owned and managed a diversified portfolio of industrial properties and business parks, and as at 31 December 2013, had a portfolio of 61 properties valued at $2.5 billion, WALE of 4.5 years and a portfolio WACR of 8.4%.

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6 November 2018

Acquisition of MacarthurCook Industrial Property Fund by CommonWealth REIT

On 12 July 2010, MacarthurCook Industrial Property Fund (Macarthur) announced that it had received a proposal from CommonWealth REIT to acquire all the units in Macarthur for cash consideration of $0.44 per unit. Macarthur, an unlisted property fund had, as at 30 June 2010, a portfolio of 10 industrial properties valued at $106.1 million across Australia and WALE of 4.6 years.

Acquisition of Westpac Office Trust by Mirvac Group

On 28 April 2010, Westpac Office Trust (WOT) announced it had entered into a scheme implementation agreement with Mirvac Group in relation to an offer by Mirvac Group to acquire all WOT units and instalment receipts for cash or scrip. At 31 December 2009, WOT had a portfolio of 7 properties with a total value of $1.1 billion, WALE of 8.7 years and portfolio WACR of 7.4%. Sydney CBD properties comprised the majority of WOT's property portfolio value, representing 62% of the total portfolio value.

Acquisition of Mirvac Real Estate Investment Trust by Mirvac Group

On 12 October 2009, Mirvac Real Estate Investment Trust (Mirvac REIT) announced that it had received a proposal from Mirvac Group to acquire all the issued units in Mirvac REIT for scrip, or a combination of cash and scrip. As at 30 June 2009, Mirvac REIT had a total portfolio value of $1.0 billion across the retail (36%), commercial (31%), industrial (17%) and hotel (16%) sectors and a WALE of 4.8 years. At the time, Mirvac REIT was in financial distress.

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6 November 2018

PART TWO – FINANCIAL SERVICES GUIDE

Dated 6 November 2018

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Mr Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 and Mrs Joanne Lupton as an authorised representative of KPMG Corporate Finance, authorised representative number 449593 (**Authorised Representative**).

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.
This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by ILFML (Client) to provide general financial product advice in the form of a Report to be included in the Notice of Meeting and Explanatory Memorandum (**Document**) prepared by the Client in relation to the proposed acquisition by Oxford of all the issued IOF Units of IOF (Oxford **Proposal**).
You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.
KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.
You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.
You should also consider the other parts of the Document before making any decision in relation to the Oxford Proposal.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $275,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.
KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership).
KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.
Further details may be provided on request.

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Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

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Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.
From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

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Independent Expert's Report
6 November 2018

KPMG entities have provided, and continue to provide, a range of advisory services to ILFML and related entities for which professional fees are received. None of those services have related to the transaction or alternatives to the transaction and these fees are not material.
No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.
Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:
Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399 Email: info@fos.org.au.
The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:
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NSW 1213
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Facsimile: (02) 9335 7000

Deed Poll

Schedule

3

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OPG TC I Pty Ltd as trustee for the Barnes Bid Trust

OPG TC II Pty Ltd as trustee for the Glencoe Bid Trust

Oxford Deed Poll

In favour of each IOF Scheme Unitholder

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Contents

1	**Definitions and Interpretation**	**1**
1.1	Definitions	1
1.2	Interpretation	1
2	**Nature of Deed Poll**	**2**
3	**Conditions Precedent and Termination**	**2**
3.1	Conditions precedent	2
3.2	Termination	2
3.3	Consequences of termination	2
4	**Compliance with Scheme Obligations**	**2**
4.1	Obligations of Oxford AJO Bid Trust and Oxford PCP Bid Trust	2
4.2	Manner of Payment	2
5	**Representations and Warranties**	**3**
5.1	Corporate representations and warranties	3
5.2	Oxford AJO Bid Trustee representations and warranties	3
5.3	Oxford PCP Bid Trustee representations and warranties	4
6	**Continuing Obligations**	**4**
7	**Further Assurances**	**4**
8	**General**	**4**
8.1	Notices	4
8.2	No waiver	6
8.3	Remedies cumulative	6
8.4	Amendment	6
8.5	Assignment	6
8.6	Costs and duty	6
8.7	Governing law and jurisdiction	6
Schedule		**7**
Scheme Implementation Agreement		**7**

Schedule 3. Deed Poll

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This Deed Poll is made on

Parties

1 **OPG TC II Pty Ltd** (ACN 629 426 231) **acting in its capacity as trustee of the Glencoe Bid Trust** of '02' Suite 19, Level 19, 126-130 Phillip Street, Sydney, NSW 2000 (***Oxford AJO Bid Trust***).

2 **OPG TC I Pty Ltd** (ACN 629 426 259) **acting in its capacity as trustee of the Barnes Bid Trust** of '02' Suite 19, Level 19, 126-130 Phillip Street, Sydney, NSW 2000 (***Oxford PCP Bid Trust***).

In favour of

each IOF Scheme Unitholder

Recitals

A The Oxford AJO Bid Trustee in its capacity as trustee of the Oxford AJO Bid Trust, the Oxford PCP Bid Trustee in its capacity as trustee of the Oxford PCP Bid Trust and Investa Listed Funds Management Limited (ABN 37 149 175 655) (***ILFML***) as responsible entity for the Armstrong Jones Office Fund (ARSN 090 242 229) (***AJO***) and the Prime Credit Property Trust (ARSN 089 849 196) (***PCP***) (***Target***) have entered into a scheme implementation agreement dated 18 October 2018 (the ***Scheme Implementation Agreement***).

B Target has agreed in the Scheme Implementation Agreement to propose the Scheme, pursuant to which, subject to the satisfaction or waiver of certain conditions precedent, Oxford AJO Bid Trust will acquire all the IOF Scheme Units in AJO and Oxford PCP Bid Trust will acquire all of the IOF Scheme Units in PCP from IOF Scheme Unitholders for the Scheme Consideration.

C In accordance with the Scheme Implementation Agreement, each of Oxford AJO Bid Trust and Oxford PCP Bid Trust are entering into this Deed Poll for the purpose of covenanting in favour of the IOF Scheme Unitholders that they will observe and perform the obligations contemplated of them under the Scheme.

It is agreed as follows.

1 Definitions and Interpretation

1.1 Definitions

Terms defined in the Scheme Implementation Agreement, a copy of which is set out in the Schedule to this Deed Poll, have the same meaning in this Deed Poll, unless the context requires otherwise.

1.2 Interpretation

The provisions of clause 1.2 and clause 18 of the Scheme Implementation Agreement form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this agreement' and 'this document' in that clause are references to 'this Deed Poll' and clause references are amended as applicable.

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2 Nature of Deed Poll

Each of Oxford AJO Bid Trust and Oxford PCP Bid Trust acknowledges that:

(a) this Deed Poll may be relied on and enforced by any IOF Scheme Unitholder in accordance with its terms, even though the IOF Scheme Unitholders are not party to it; and

(b) under the Scheme, each IOF Scheme Unitholder appoints Target as its agent and attorney to enforce this Deed Poll against Oxford AJO Bid Trust and Oxford PCP Bid Trust (as applicable) on behalf of that IOF Scheme Unitholder.

3 Conditions Precedent and Termination

3.1 Conditions precedent

Each of Oxford AJO Bid Trust's and Oxford PCP Bid Trust's obligations (as relevant) under this Deed Poll are subject to the Scheme becoming Effective.

3.2 Termination

If the Scheme Implementation Agreement is terminated before the Effective Date or the Scheme does not become Effective on or before the End Date, the obligations of Oxford AJO Bid Trust and Oxford PCP Bid Trust under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless Target, Oxford AJO Bid Trust and Oxford PCP Bid Trust otherwise agree in accordance with the Scheme Implementation Agreement.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) each of Oxford AJO Bid Trust and Oxford PCP Bid Trust is released from their obligations under this Deed Poll, except those obligations under clause 8.6; and

(b) each IOF Scheme Unitholder retains any rights, powers or remedies that the IOF Scheme Unitholder has against Oxford AJO Bid Trust and Oxford PCP Bid Trust in respect of any breach of its obligations under this Deed Poll that occurred before termination of this Deed Poll.

4 Compliance with Scheme Obligations

4.1 Obligations of Oxford AJO Bid Trust and Oxford PCP Bid Trust

Subject to clause 3, in consideration for the transfer to Oxford AJO Bid Trust and Oxford PCP Bid Trust (respectively) of the Scheme Units in accordance with the Scheme, each of Oxford AJO Bid Trust and Oxford PCP Bid Trust jointly and severally covenants in favour of each Scheme Unitholder that each will observe and perform all obligations contemplated of them under the Scheme, including in each case the relevant obligations relating to the provision of the Scheme Consideration in accordance with the terms of the Scheme.

4.2 Manner of Payment

(a) ILFML shall nominate a trust account (***Trust Account***) and provide notice in writing of the trust account details to Oxford AJO Bid Trust and Oxford PCP Bid Trust at least five business days before the Implementation Date.

(b) Oxford AJO Bid Trust's and Oxford PCP Bid Trust's obligations to provide, or procure the provision of, the aggregate Scheme Consideration will be satisfied by Oxford AJO Bid Trust and Oxford PCP Bid Trust procuring that, by no later than 12 noon on the day

Schedule 3. Deed Poll

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before the Implementation Date, an amount in Australian currency is deposited into the Trust Account in immediately available funds equal to, subject to clause 4.2(c), the aggregate Scheme Consideration payable in respect of the Scheme Units. All interest earned on that amount is for the benefit of Oxford Acquirer.

(c) Where an amount is required to be paid by the Oxford Acquirer to the ATO pursuant to clause 15 of the Scheme Implementation Agreement (***ATO Payment***), the aggregate Scheme Consideration required to be deposited into the Trust Account under clause 4.2(b) is reduced by the amount equal to the ATO Payment.

5 Representations and Warranties

5.1 Corporate representations and warranties

Each of Oxford AJO Bid Trustee and Oxford PCP Bid Trustee makes the following representations and warranties:

(a) (**Status**) It is a corporation validly existing under the laws of the place of its incorporation.

(b) (**Power**) It has the power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll.

(c) (**Corporate authorisations**) It has taken all necessary corporate action to authorise the entry into this Deed Poll in its capacity as trustee of Oxford AJO Bid Trust or Oxford PCP Bid Trust (as applicable) and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll.

(d) (**Document binding**) This Deed Poll is its valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping and registration.

(e) (**Transactions permitted**) The execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:

(i) a law, judgment, ruling, order or decree binding on it; or

(ii) its constitution or other constituent documents.

(f) (**Solvency**) It is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for the winding up, dissolution or termination of itself or for the appointment of a liquidator, receiver, administrator, or similar officer over any or all of its assets.

(g) (**No default**) This deed poll does not conflict with or result in the breach of or default under, any provision of its constitution, any material term or provision of any material agreement or any write, order or injunction, judgement, law, rule, regulation or instrument to which it is party or subject or of which it is bound.

5.2 Oxford AJO Bid Trustee representations and warranties

Oxford AJO Bid Trustee makes the following representations and warranties:

(a) (**Status of Oxford AJO Bid Trust**) Oxford AJO Bid Trust is duly established and validly subsisting.

(b) (**Trustee**) Oxford AJO Bid Trustee is the trustee of Oxford AJO Bid Trust, has been validly appointed, and remains as trustee of Oxford AJO Bid Trust, and no action has been taken to or proposed to be taken to remove it as trustee.

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(c) (**Trustee right of indemnity**) Oxford AJO Bid Trustee's right of indemnity out of, and lien over the assets of Oxford AJO Bid Trust has not been limited in any way. Oxford AJO Bid Trustee has no liability which may be set off against the right of indemnity.

5.3 Oxford PCP Bid Trustee representations and warranties

Oxford PCP Bid Trustee makes the following representations and warranties:

(a) (**Status of Oxford PCP Bid Trust**) Oxford PCP Bid Trust is duly established and validly subsisting.

(b) (**Trustee**) Oxford PCP Bid Trustee is the trustee of Oxford PCP Bid Trust, has been validly appointed, and remains as trustee of Oxford PCP Bid Trust, and no action has been taken to or proposed to be taken to remove it as trustee.

(c) (**Trustee right of indemnity**) Oxford PCP Bid Trustee's right of indemnity out of, and lien over the assets of Oxford PCP Bid Trust has not been limited in any way. Oxford PCP Bid Trustee has no liability which may be set off against the right of indemnity.

6 Continuing Obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

(a) each of Oxford AJO Bid Trust and Oxford PCP Bid Trust having fully performed its obligations under this Deed Poll; and

(b) termination of this Deed Poll under clause 3.

7 Further Assurances

Each of Oxford AJO Bid Trust and Oxford PCP Bid Trust will, on its own behalf and, to the extent authorised by the Scheme, on behalf of each IOF Scheme Unitholder, do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

8 General

8.1 Notices

Any notice, demand, consent or other communication (a ***Notice***) given or made under this Deed Poll:

(a) must be in writing and signed by the sender or a person duly authorised by the sender (or in the case of email, set out the full name and position or title of the sender or person duly authorised by the sender);

(b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, fax or email to the address, fax number or email address below or the address, fax number or email address last notified by the intended recipient to the sender:

(i) to the Target: **Investa Listed Funds Management Ltd**
c/- Allens, 126 Phillip Street, Sydney NSW 2000
Email: rlonges@gmail.com

With a copy to: Allens
Attention: Vijay Cugati
Address: 126 Phillip Street, Sydney NSW 2000
Email: Vijay.Cugati@allens.com.au

Schedule 3. Deed Poll

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(ii) to Oxford AJO Bid Trust and Oxford PCP Bid Trust:	**Oxford Properties Group Inc** Attention: Gawain Smart Address: EY Tower, 100 Adelaide Street West, 9th Floor, Toronto, ON M5H 0E2, Canada Email: GSmart@oxfordproperties.com **With a copy to:** Attention: David Matheson and Jasmin Hu Address: The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AB United Kingdom Email: DMatheson@oxfordproperties.com, and JHu@oxfordproperties.com **and a copy to**: **Ashurst** Attention: Anton Harris Address: Level 11, 5 Martin Place, Sydney NSW 2000 Email: anton.harris@ashurst.com

(c) will be conclusively taken to be duly given or made and received:

(i) in the case of delivery in person, when delivered;

(ii) in the case of delivery by express post, to an address in the same country, two Business Days after the date of posting;

(iii) in the case of delivery by any other method of post, six Business Days after the date of posting (if posted to an address in the same country) or 10 Business Days after the date of posting (if posted to an address in another country);

(iv) in the case of fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error; and

(v) in the case of email, at the earliest of:

(A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;

(B) the time that the intended recipient confirms receipt of the email by reply email; and

(C) three hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, within that three hour period, an automated message that the email has not been delivered,

but if the result is that a Notice would be taken to be given or made and received:

(vi) in the case of delivery by hand, post or fax, at a time that is later than 5pm;

(vii) in the case of delivery by email, at a time that is later than 7pm; or

(viii) on a day that is not a business day,

in the place specified by the intended recipient as its postal address under clause 8.1(b), it will be conclusively taken to have been duly given or made and received at the start of business on the next business day in that place.

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8.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by any of Oxford AJO Bid Trust or Oxford PCP Bid Trust or by any IOF Scheme Unitholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing and signed by the party granting the waiver.

8.3 Remedies cumulative

The rights, powers and remedies of Oxford AJO Bid Trust and Oxford PCP Bid Trust and of each IOF Scheme Unitholder under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

8.4 Amendment

No amendment or variation of this Deed Poll is valid or binding unless:

(a) either:

(i) before the Second Court Date, the amendment or variation is agreed to in writing by Target, Oxford AJO Bid Trust and Oxford PCP Bid Trust (which such agreement may be given or withheld without reference to or approval by any IOF Scheme Unitholder); or

(ii) on or after the Second Court Date, the amendment or variation is agreed to in writing by Target, Oxford AJO Bid Trust and Oxford PCP Bid Trust (which such agreement may be given or withheld without reference to or approval by any IOF Scheme Unitholder), and is approved by the Court; and

(b) Oxford AJO Bid Trust and Oxford PCP Bid Trust each enters into a further deed poll in favour of the IOF Scheme Unitholders giving effect to that amendment or variation.

8.5 Assignment

The rights and obligations of Oxford AJO Bid Trust and Oxford PCP Bid Trust and of each IOF Scheme Unitholder under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior consent of Oxford AJO Bid Trust and Oxford PCP Bid Trust and Target.

8.6 Costs and duty

Oxford AJO Bid Trust and Oxford PCP Bid Trust must bear their own costs arising out of the negotiation, preparation and execution of this Deed Poll. All duty (including stamp duty and any fines, penalties and interest) payable on or in connection with this Deed Poll and any instrument executed under or any transaction evidenced by this Deed Poll must be borne by Oxford AJO Bid Trust and Oxford PCP Bid Trust. Oxford AJO Bid Trust and Oxford PCP Bid Trust must indemnify each IOF Scheme Unitholder on demand against any liability for that duty (including any related fines, penalties and interest).

8.7 Governing law and jurisdiction

This Deed Poll is governed by the laws of New South Wales. Oxford AJO Bid Trust and Oxford PCP Bid Trust submit to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed Poll.

Schedule 3. Deed Poll

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Oxford Deed Poll

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Schedule

Scheme Implementation Agreement

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Executed and delivered as a Deed

Executed in accordance with section 127 of the *Corporations Act 2001* by **OPG TC I Pty Ltd** (ACN 629 426 259) as trustee for the **Barnes Bid Trust**:

Signature of director	Signature of director/secretary
Gawain Smart	Alec Harper
Name	Name

Executed in accordance with section 127 of the *Corporations Act 2001* by **OPG TC II Pty Ltd** (ACN 629 426 231) as trustee for the **Glencoe Bid Trust**:

Signature of director	Signature of director/secretary
Gawain Smart	Alec Harper
Name	Name

Supplemental Deeds Poll

Schedule

4

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Schedule 4. Part A – AJO Supplemental Deed Poll

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Investa Listed Funds Management Limited

AJO Supplemental Deed Poll

Amending the Constitution for Armstrong Jones Office Fund

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Schedule 4. Part A – AJO Supplemental Deed Poll

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This Deed Poll is made on 2018

Parties

Investa Listed Funds Management Limited (ABN 37 149 175 655) of Level 30, 420 George Street Sydney NSW 2000 (the ***Responsible Entity***).

Recitals

A The Responsible Entity is the responsible entity of the trust known as the Armstrong Jones Office Fund (ARSN 090 242 229) (***AJO***) (the ***Trust***).

B The Trust is registered as a managed investment scheme pursuant to section 601EB of the Corporations Act.

C The Units of the Trust are stapled to the units of the Prime Credit Property Trust (ARSN 089 849 196) (***PCP***) and are quoted and traded on ASX as stapled securities of Investa Office Fund (ASX: ***IOF***).

D The Responsible Entity and the Oxford Acquirer have agreed, by executing the Scheme Implementation Agreement, to propose and implement the Scheme.

E The Constitution must be amended to facilitate the Scheme.

F Section 601GC(1)(a) of the Corporations Act provides that the constitution of a registered scheme may be modified, or repealed and replaced with a new constitution by special resolution of the members of the scheme.

G Under clause 15 of the Constitution, the Responsible Entity may, by deed, replace or amend the Constitution.

H The Responsible Entity proposes to modify the Constitution, as set out in this Supplemental Deed Poll, to give effect to the resolutions to modify the Constitution that were passed by Unitholders at a meeting held on 4 December 2018 (***Scheme Resolutions***).

It is declared as follows.

1 Definitions and Interpretation

1.1 Definitions

In this Supplemental Deed Poll including the Recitals, the following definitions apply unless the context otherwise requires.

Constitution means the trust deed constituting AJO, as approved by Unitholders on 6 December 2011 (as amended).

Effective Time means the date and time on which a copy of this Supplemental Deed Poll is, or the modifications set out in it are, lodged with ASIC under section 601GC(2) of the Corporations Act.

Entity includes a natural person, a body corporate, a partnership, a trust and the trustee of a trust.

IOM means Investa Office Management Pty Limited (ACN 161 354 016).

Management Deed means the amended and restated management deed between the Responsible Entity and IOM dated 21 September 2017.

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Oxford Acquirer means Oxford AJO Bid Trust and Oxford PCP Bid Trust.

Oxford AJO Bid Trust means the Oxford AJO Bid Trustee acting in its capacity as trustee of the Glencoe Bid Trust.

Oxford AJO Bid Trustee means OPG TC II Pty Ltd (ACN 629 426 231).

Oxford PCP Bid Trust means the Oxford PCP Bid Trustee acting in its capacity as trustee of the Barnes Bid Trust.

Oxford PCP Bid Trustee means OPG TC I Pty Ltd (ACN 629 426 259).

Scheme means the arrangement set out in the Scheme Implementation Agreement and facilitated by the amendments to the Constitution set out in this Supplemental Deed Poll.

Scheme Implementation Agreement means the agreement of that name between the Responsible Entity and the Oxford Acquirer dated 18 October 2018, as amended from time to time.

Scheme Resolutions has the meaning given in Recital H.

1.2 Interpretation

(a) Terms used but not defined in this Supplemental Deed Poll have the same meanings given to them in the Constitution, as amended by this Supplemental Deed Poll.

(b) Clauses 1.1 ('Definitions'), 1.2 ('Interpretation') and 1.6 ('Inconsistency with the Listing Rules') of the Constitution apply to this Supplemental Deed Poll as if set out in this Supplemental Deed Poll.

1.3 Benefit of this Supplemental Deed Poll

This Supplemental Deed Poll is made by the Responsible Entity with the intent that the benefit of this Supplemental Deed Poll shall enure to the benefit of the Unitholders jointly and severally.

2 Conditions

This Supplemental Deed Poll is conditional upon and will have no force or effect until, the satisfaction of each of the conditions precedent stipulated in clause 3.1 of the Scheme Implementation Agreement.

3 Amendment of Constitution

The Responsible Entity amends the Constitution so that the Constitution is amended as set out in the Schedule:

(a) in respect of paragraphs 1, 2, 3, 4, 5, 6 and 8 of the Schedule, on and from the Implementation Date (as defined in the Schedule); and

(b) in respect of paragraph 7, on and from the Effective Time.

4 No Resettlement

The Responsible Entity confirms that it is not by this Supplemental Deed Poll:

(a) resettling or redeclaring the Trust declared under the Constitution;

(b) declaring any trust; or

(c) causing the transfer, vesting or accruing of any property comprising the assets of the Trust in any person.

Schedule 4. Part A – AJO Supplemental Deed Poll

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5 No merger

Each obligation set out in this Supplemental Deed Poll which is capable of having future operation continues in force after the Effective Time although this Supplemental Deed Poll has otherwise been fully performed.

6 Governing Law and Jurisdiction

This Supplemental Deed Poll is governed by the laws of New South Wales. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

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Executed and delivered as a Deed Poll in Sydney

Executed in accordance with section 127 of the *Corporations Act 2001* by **Investa Listed Funds Management Limited** (ABN 37 149 175 655) as responsible entity for the **Armstrong Jones Office Fund (ARSN 090 242 229)**:

Director Signature	Director/Secretary Signature
Print Name	Print Name

Schedule 4. Part A – AJO Supplemental Deed Poll

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AJO Supplemental Deed Poll

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Schedule

Amendments to the Constitution of Armstrong Jones Office Fund

The Constitution is amended as follows:

1 Clause 1.1 - Definitions

In clause 1.1 of the Constitution:

(a) a new definition of "Affiliate" is inserted as follows:

means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls directly or indirectly, the person or any entity directly or indirectly under common control with the person or any entity which ordinarily acts under the direction of the person. For this purpose ***control*** of any entity or person means ownership of a majority of the voting power of the entity or the person.

(b) a new definition of "Encumbrance" is inserted as follows:

means any mortgage, charge, lien, pledge, trust, power or title retention, flawed deposit arrangement, "security interest" as defined in sections 12(1) or (2) of the *Personal Property Securities Act 2009* (Cth), or the interest of a third party of any kind, whether legal or otherwise, or any agreement to create any of them or allowing them to exist.

(c) a new definition of "Law" is inserted as follows:

(a) the Corporations Act and any statute; and

(b) any common law rule that applies to the Trust.

(d) a new definition of "Management Agreement" is inserted as follows:

means any investment management agreement or asset management agreement which may be entered into (with the approval of the Unitholders) between the Trustee and the Manager relating to investment or asset management services provided by the Manager for the benefit of the Trust.

(e) a new definition of "Manager" is inserted as follows:

means the manager or any replacement or successor appointed by the Trustee to provide investment management services for the benefit of the Trust from time to time.

(f) a new definition of "Relevant Finance Document" is inserted as follows:

means a Trustee Finance Document or an Unitholder Finance Document.

(g) a new definition of "Reserved Matter" is inserted as follows:

any of the following matters or actions in relation to the Trust or Fund:

1 acquiring or disposing of any real or personal property or any other asset of the Fund;

2 borrowing, raising money, incurring any indebtedness or entering into any financial accommodation;

3 creating or permitting to exist any Encumbrance;

4 entering into any guarantee, indemnity bond, security deposit, letter of credit or suretyship or any other obligation to pay, purchase or provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or

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discharge of, to indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness of, obligation of, liability of or the insolvency of any other person;

5 issuing any Units or the grant of any Options or issuing any units or granting any options over units in any sub-trust; and

6 entering into or amending any contract or commitment (or any series of related contracts or commitments) which involves any Affiliate of the Trustee, including, for so long as Investa Listed Funds Management Limited is the trustee of the Trust, any of the following entities: Investa Office Management Limited, Investa Office Management Holdings Pty Ltd, Investa Asset Management Pty Ltd, Investa Asset Management (QLD) Ltd, Investa Property Group Holdings Pty Ltd or any of their Affiliates.

(h) a new definition of "Trustee Finance Document" is inserted as follows:

means any facility or loan agreement entered into by the Trustee.

(i) a new definition of "Unitholder Finance Document" is inserted as follows:

means any facility or loan agreement entered into between a Unitholder and any one or more third party financiers, which has been provided to the Trustee in writing.

2 Clause 6 - General powers of Trustee

(a) Clause 6.1(b) and clause 6.1(c) of the Constitution are deleted and substituted with the following clauses:

(b) Subject to clause 6.1(c), in the exercise of its powers the Trustee may, without limitation, acquire or dispose of any real or personal property, borrow or raise money, encumber any asset of the Fund, incur any liability, guarantee any obligations of any person, enter into joint venture arrangements or fetter any power.

(c) Notwithstanding any other provision of this constitution, the Trustee:

(i) must not exercise any power or discretion or take any action; and

(ii) to the extent that it is within the Trustee's control, must procure that no sub-trustee exercises any power or discretion or takes any action,

in connection with a Reserved Matter unless the Trustee has received prior written approval of the exercise or action from all Unitholders.

(d) The Trustee must take all such steps as practicable to direct and instruct the Manager under the Management Agreement to act consistently with the Trustee's obligations under this constitution in connection with the provision of services by the Manager under the Management Deed.

(e) The Trustee must:

(i) at all times, comply with the terms of any Relevant Finance Document; and

(ii) not act (or omit to act) in such a manner which would cause it or any Unitholder to be in breach of any Relevant Finance Document (whether or not the Trustee is party to any such document),

unless taking (or failing to take) any such action would constitute a breach of the Trustee's fiduciary or statutory obligations, provided that to the extent of any

Schedule 4. Part A – AJO Supplemental Deed Poll

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inconsistency between the terms of a Trustee Finance Document and a Unitholder Finance Document, the terms of the Unitholder Finance Document will prevail.

(b) Clause 6.2(b) of the Constitution is deleted and substituted with the following clause:

(b) Subject to clause 6.1(c), the Trustee may appoint an agent, custodian or other person, including an associate of the Trustee (each of whom may, with the approval of the Trustee, sub-delegate to any person any of its functions as it thinks fit), to acquire, hold title to, dispose of or otherwise deal with any asset of the Fund on behalf of the Trustee and perform any necessary incidental or ancillary action or other action approved by the Trustee.

(c) A new clause 6.5 is to be inserted into the Constitution with the following clause:

6.5 Sub-Trust Constitutions

To the extent that the Trust (acting through the Trustee) is the sole unitholder of a trust (***Sub Trust***), the Trustee must, on written direction from the sole unitholder of the Trust:

(a) consent to, and direct, the trustee of that Sub Trust to:

(i) make amendments to the trust deed of that Sub Trust to be consistent with clauses 6, 7.5, 12.3(d), 15 and 16.1 of this constitution (including, where applicable, the inclusion of the relevant definitions) as soon as practicable; and

(ii) if, for whatever reason, the trustee of that Sub Trust does not comply with the direction given under clause 6.5(a)(i):

(A) immediately call and convene a meeting of the unitholders of that Sub Trust; and

(B) pass a special resolution at that meeting to effect the changes set out in clause 6.5(a)(i); and

(b) where the trustee of a Sub Trust is the sole unitholder in a trust (***Sub Sub Trust***), procure that the trustee of that Sub Sub Trust:

(i) make amendments to the trust deed of that Sub Sub Trust to be consistent with clauses 6, 7.5, 12.3(d), 15 and 16.1 (including, where applicable, the inclusion of the relevant definitions) as soon as practicable; and

(ii) if, for whatever reason, the trustee of any Sub Sub Trust does not comply with the direction set out in clause 6.5(b)(i):

(A) immediately call and convene a meeting of the unitholders of that Sub Sub Trust; and

(B) pass a special resolution at that meeting to effect the changes set out in clause 6.5(b)(i).

3 Clause 7.5

Clause 7.5 of the Constitution is deleted and substituted with the following clause:

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7.5 Trustee interest in Trust and transaction

(a) Despite any other provision of this constitution, no present or future Trustee may hold Units or Options or otherwise become a beneficiary of the Trust.

(b) Affiliates of the Trustee are not precluded from holding Units or Options or otherwise becoming a beneficiary of the Trust.

(c) Nothing in this constitution restricts the Trustee or the Trustee's Affiliates from:

(i) dealing with the Trust or any Holder;

(ii) being interested in any contract or transaction with the Trust, any Holder, or retaining for its own benefit any profits or benefits derived from any such contract or transaction;

(iii) entering a contract or transaction in relation to which the Trust may become liable to pay fees, costs, brokerage, commissions or other remuneration to an Affiliate of the Trustee or an Affiliate of any of the directors of the Trustee;

(iv) acting in the same or a similar capacity in relation to any other trust; or

(v) dealing with itself in relation to the Fund where in relation to such dealings it is acting in different capacities.

4 Clause 12.3

A new clause 12.3(d) is inserted as follows:

(d) Despite any other provision of this Constitution, the Trustee shall not decline to register any transfer of Units where such transfer is:

(i) to a person holding a security interest over those Units (the ***Secured Party***) or a nominee of the Secured Party;

(ii) delivered to the Trustee for registration by a Secured Party or its nominee in order to perfect its security over the Units; or

(iii) executed by a Secured Party or its nominee pursuant to a power of sale or other power or right existing under such security,

and the Trustee shall forthwith register any such transfer of Units upon receipt.

5 Clause 15 - Alterations to Trust

Clause 15 of the Constitution is deleted and substituted with the following clause:

15 Alterations to Trust

15.1 Alterations by Trustee

The Trustee may amend this constitution (including this clause 15 but excluding clause 15.2) by deed at any time, subject to any approval required by Law.

15.2 Restriction on Amendment

Subject to Law, the Trustee must not amend this constitution to remove the requirement under clause 7.5(a) that no present or future Trustee may hold Units or Options or otherwise become a beneficiary of the Trust or to remove this restriction on amendment.

Schedule 4. Part A – AJO Supplemental Deed Poll

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6 Clause 16.1 - Term of Trust

Clause 16.1 of the Constitution is deleted and substituted with the following clause:

16.1 Term of Trust

The term of the Trust ends on the earlier of:

(a) a date determined by the Unitholders by special resolution directing the Trustee to terminate the Trust on that date; and

(b) the date on which the Trust is terminated under this constitution or by Law.

7 Clause 23 – Trust Scheme

A new clause 23 is inserted immediately after clause 22 of the Constitution, as set out below:

23 Trust Scheme

23.1 Definitions

The following definitions apply in this clause 23 unless the context requires otherwise:

Deed Poll means the deed poll dated 1 November 2018 executed by the Oxford Acquirer in favour of the Scheme Unitholders.

Effective means, in relation to the Trust Scheme, the supplemental deed poll making amendments to this Constitution to facilitate the Trust Scheme, including the insertion of clause 23, taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means the date on which the Trust Scheme becomes Effective.

Implementation Date means five Business Days following the Record Date, or such other date as may be agreed in writing between the Oxford Acquirer and the Trustee or as may be required by ASX.

Oxford Acquirer means each of Oxford AJO Bid Trust and Oxford PCP Bid Trust.

Oxford AJO Bid Trust means the Oxford AJO Bid Trustee acting in its capacity as trustee of the Glencoe Bid Trust.

Oxford AJO Bid Trustee means OPG TC II Pty Ltd (ACN 629 426 231).

Oxford Holder means Hines (Aus) Investment Services Pty Ltd ACN 169 230 335 acting in its capacity as trustee of the OPG Central Barangaroo 6 Trust ABN 61 400 575 123.

Oxford PCP Bid Trust means the Oxford PCP Bid Trustee acting in its capacity as trustee of the Barnes Bid Trust.

Oxford PCP Bid Trustee means OPG TC I Pty Ltd (ACN 629 426 259).

Record Date means 7.00pm (Sydney time) on the date that is five Business Days after the Effective Date, or such other date (after the Effective Date) as may be agreed in writing between the Oxford Acquirer and the Trustee or as may be required by ASX.

Registry means such suitably qualified person that is from time to time appointed by the Trustee to operate the Register.

Scheme Consideration means an amount equal to $2.53 for each Scheme Unit.

Scheme Implementation Agreement means the agreement of that name between the Trustee and the Oxford Acquirer dated 18 October 2018, as amended from time to time.

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Scheme Meeting means the meeting of Unitholders held on 4 December 2018 to consider the Scheme Resolutions, and includes any adjournment of that meeting.

Scheme Resolutions means the resolutions of the Unitholders to approve the Trust Scheme, including:

(a) an ordinary resolution approving for the purpose of item 7 of section 611 of the Corporations Act the acquisition by Oxford AJO Bid Trust of all of the Scheme Units; and

(b) a special resolution for the purpose of section 601GC(1) of the Corporations Act to approve amendments to this Constitution to facilitate the implementation of the Trust Scheme.

Scheme Unit means a Unit on issue as at the Record Date.

Scheme Unitholders means each person who is registered on the Register as a holder of Units as at the Record Date, other than the Oxford Holder (if applicable).

Trust Scheme means the arrangement by which all of the Scheme Units will be transferred to the Oxford AJO Bid Trust for the Scheme Consideration, as set out in this clause 23.

23.2 Implementation of Trust Scheme

(a) The definition of "Proposal" in clause 1.1 is deleted and replaced with the following new definition:

a proposal approved by special resolution of Holders, and that for this purpose, the proposal described in the notice of meeting and explanatory memorandum dated 6 November 2018 is a "Proposal".

(b) Each Scheme Unitholder and the Trustee must do all things and execute all deeds, instruments, transfers or other documents as the Trustee considers are necessary or desirable to give full effect to the terms of the Trust Scheme and the transactions contemplated by it.

(c) Without limiting the Trustee's other powers under this clause 23, the Trustee has power to do all things that it considers necessary, desirable or reasonably incidental to give effect to the Trust Scheme, the Scheme Implementation Agreement and the transactions contemplated by them.

(d) Subject to the Corporations Act, the Trustee, Oxford AJO Bid Trust or any of their directors, officers, employees or associates may do any act, matter or thing described in or contemplated by this clause 23 even if they have an interest (financial or otherwise) in the outcome of such exercise.

(e) Without limiting the Trustee's powers under this clause 23, subject to the Oxford Acquirer having complied with its obligations under clause 4.2(b) of the Deed Poll:

(i) on the Implementation Date, the Trustee must determine in accordance with clause 20.5(a) that the Stapling provisions of the Constitution will cease to apply on the Implementation Date and that the Implementation Date is to be the "Unstapling Date" for the purpose of clause 20.5 of the Constitution;

(ii) on the Effective Date each Holder is deemed to have irrevocably appointed the Trustee as the Scheme Unitholder's agent and attorney to transfer the Scheme Units on the Implementation Date for a price equal

Schedule 4. Part A – AJO Supplemental Deed Poll

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to the Scheme Consideration, in accordance with the terms of the Scheme Implementation Agreement and the Deed Poll; and

(iii) the Trustee must execute on behalf of each Scheme Unitholder a transfer of the Scheme Units in respect of which the Trustee is appointed as agent and attorney under clause 23(e)(ii) above in the manner and form which the Trustee considers necessary and deliver the transfer to the Registry for registration.

(f) This clause 23:

(i) binds the Trustee and all of the Holders from time to time (including those who do not attend the Scheme Meeting, those who do not vote at the Scheme Meeting and those who vote against the Scheme Resolutions); and

(ii) to the extent of any inconsistency, overrides the other provisions of this Constitution (but, for the avoidance of doubt, remains subject to the Corporations Act and the Listing Rules).

23.3 Warranty by Scheme Unitholders

Each Scheme Unitholder warrants to Oxford AJO Bid Trust and is deemed to have authorised the Trustee to warrant to Oxford AJO Bid Trust as agent and attorney for the Scheme Unitholder by virtue of this clause 23.3, that:

(a) all their Scheme Units (including any rights and entitlements attaching to those securities) transferred to Oxford AJO Bid Trust under the Trust Scheme, will, as at the date of the transfer, be fully paid and free from all Encumbrances; and

(b) they have full power and capacity to sell and to transfer their Scheme Units (including any rights and entitlements attaching to those securities) to Oxford AJO Bid Trust under the Trust Scheme.

23.4 Transfer free of Encumbrances

To the extent permitted by law, all Scheme Units (including any rights and entitlements attaching to those securities) which are transferred to Oxford AJO Bid Trust under the Trust Scheme will, at the date of the transfer of them to Oxford AJO Bid Trust, vest in Oxford AJO Bid Trust free from all Encumbrances.

23.5 Appointment of Oxford AJO Bid Trust as sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Units, on and from the Implementation Date until the Trustee registers Oxford AJO Bid Trust as the holder of all the Scheme Units in the Register, each Scheme Unitholder:

(a) irrevocably appoints the Trustee as attorney and agent (and directs the Trustee in such capacity) to appoint Oxford AJO Bid Trust and each of Oxford AJO Bid Trustee's directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable, corporate representative, to attend Unitholder meetings, exercise the votes attaching to Units registered in its name and sign any Unitholder resolution, and no Scheme Unitholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy, or by corporate representative (other than pursuant to this clause 23.5(a)); and

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(b) must take all other actions in the capacity of the registered holder of Units as Oxford AJO Bid Trust directs.

The Trustee undertakes in favour of each Scheme Unitholder that it will appoint Oxford AJO Bid Trust and each of Oxford AJO Bid Trustee's directors from time to time (jointly and each of them individually) as that Scheme Unitholder's proxy or, where applicable, corporate representative, in accordance with clause 23.5(a).

23.6 Unclaimed monies

(a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any amount payable to a Scheme Unitholder under the Trust Scheme which becomes 'unclaimed money' (as defined in section 7 of that Act).

(b) The Trustee may cancel a cheque issued on account of the Scheme Consideration if the cheque:

(i) is returned to the Trustee; or

(ii) has not been presented for payment within 6 months after the date on which the cheque was sent.

23.7 Orders of a court or Government Agency

(a) The Trustee may deduct and withhold from any Scheme Consideration which would otherwise be payable to a Scheme Unitholder any amount which Oxford AJO Bid Trustee or the Trustee determine is required to be deducted and withheld from that consideration under any applicable law, including any order, direction or notice made or given by a court of competent jurisdiction or by another Government Agency.

(b) To the extent that amounts are so deducted or withheld, such deducted or withheld amounts will be treated for all purposes under the Trust Scheme as having been paid to the person in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate Government Agency.

(c) If written notice is given to the Trustee (or the Registry) of an order, direction or notice made or given by a court of competent jurisdiction or by another Government Agency that:

(i) requires consideration which would otherwise be payable or provided to a Scheme Unitholder under the Trust Scheme must instead by paid or provided to a Government Agency or other third party (either through payment of a sum or the issuance of a security), then, the Trustee shall be entitled to procure that payment or provision of that consideration is made in accordance with that order, direction or notice (and payment or provision of that consideration in accordance with that order, direction or notice will be treated for all purposes under the Trust Scheme as having been paid or provided to that Scheme Unitholder); or

(ii) prevents the Trustee from providing consideration to any particular Scheme Unitholder under the Trust Scheme, or the payment or provision of such consideration is otherwise prohibited by applicable law, the Trustee shall be entitled to retain the Scheme Consideration to which that

Schedule 4. Part A – AJO Supplemental Deed Poll

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Scheme Unitholder would otherwise be entitled to under the Trust Scheme, until such time as payment or provision of the Scheme Consideration under the Trust Scheme is permitted by that order or direction or otherwise by law.

23.8 No disposals after the Effective Date

(a) If the Trust Scheme becomes Effective, a holder of Scheme Units (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Units or any interest in them after the Effective Date in any way except pursuant to the Trust Scheme and any such disposal will be void and of no legal effect whatsoever.

(b) The Trustee will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Units received after the Record Date (except a transfer to Oxford AJO Bid Trust pursuant to the Trust Scheme or any subsequent transfer by Oxford AJO Bid Trust or its successors in title).

23.9 Lapsing

Clause 23 will lapse and have no further force or effect if the Trust Scheme lapses in accordance with the Scheme Implementation Agreement.

8 Schedule 2 - Meetings

Paragraph 3 of Schedule 2(b) of the Constitution is deleted and substituted with the following clause:

(b) The quorum for any Meeting is 1 Holder.

Schedule 4. Part B – PCP Supplemental Deed Poll

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Investa Listed Funds Management Limited

PCP Supplemental Deed Poll

Amending the Constitution for Prime Credit Property Trust

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This Deed Poll is made on 2018

Parties

Investa Listed Funds Management Limited (ABN 37 149 175 655) of Level 30, 420 George Street Sydney NSW 2000 (the ***Responsible Entity***).

Recitals

A The Responsible Entity is the responsible entity of the trust known as the Prime Credit Property Trust (ARSN 089 849 196) (***PCP***) (the ***Trust***).

B The Trust is registered as a managed investment scheme pursuant to section 601EB of the Corporations Act.

C The Units of the Trust are stapled to the units of the Armstrong Jones Office Fund (ARSN 090 242 229) and are quoted and traded on ASX as stapled securities of Investa Office Fund (ASX: ***IOF***).

D The Responsible Entity and the Oxford Acquirer have agreed, by executing the Scheme Implementation Agreement, to propose and implement the Scheme.

E The Constitution must be amended to facilitate the Scheme.

F Section 601GC(1)(a) of the Corporations Act provides that the constitution of a registered scheme may be modified, or repealed and replaced with a new constitution by special resolution of the members of the scheme.

G Under clause 15 of the Constitution, the Responsible Entity may, by deed, replace or amend the Constitution.

H The Responsible Entity proposes to modify the Constitution, as set out in this Supplemental Deed Poll, to give effect to the resolutions to modify the Constitution that were passed by Unitholders at a meeting held on 4 December 2018 (***Scheme Resolutions***).

It is declared as follows.

1 Definitions and Interpretation

1.1 Definitions

In this Supplemental Deed Poll including the Recitals, the following definitions apply unless the context otherwise requires.

Constitution means the trust deed constituting PCP, as approved by Unitholders on 6 December 2011 (as amended).

Effective Time means the date and time on which a copy of this Supplemental Deed Poll is, or the modifications set out in it are, lodged with ASIC under section 601GC(2) of the Corporations Act.

Entity includes a natural person, a body corporate, a partnership, a trust and the trustee of a trust.

IOM means Investa Office Management Pty Limited (ACN 161 354 016).

Management Deed means the amended and restated management deed between the Responsible Entity and IOM dated 21 September 2017.

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Oxford Acquirer means Oxford AJO Bid Trust and Oxford PCP Bid Trust.

Oxford AJO Bid Trust means the Oxford AJO Bid Trustee acting in its capacity as trustee of the Glencoe Bid Trust.

Oxford AJO Bid Trustee means OPG TC II Pty Ltd (ACN 629 426 231).

Oxford PCP Bid Trust means the Oxford PCP Bid Trustee acting in its capacity as trustee of the Barnes Bid Trust.

Oxford PCP Bid Trustee means OPG TC I Pty Ltd (ACN 629 426 259).

Scheme means the arrangement set out in the Scheme Implementation Agreement and facilitated by the amendments to the Constitution set out in this Supplemental Deed Poll.

Scheme Implementation Agreement means the agreement of that name between the Responsible Entity and the Oxford Acquirer dated 18 October 2018, as amended from time to time.

Scheme Resolutions has the meaning given in Recital H.

1.2 Interpretation

(a) Terms used but not defined in this Supplemental Deed Poll have the same meanings given to them in the Constitution, as amended by this Supplemental Deed Poll.

(b) Clauses 1.1 ('Definitions'), 1.2 ('Interpretation') and 1.6 ('Inconsistency with the Listing Rules') of the Constitution apply to this Supplemental Deed Poll as if set out in this Supplemental Deed Poll.

1.3 Benefit of this Supplemental Deed Poll

This Supplemental Deed Poll is made by the Responsible Entity with the intent that the benefit of this Supplemental Deed Poll shall enure to the benefit of the Unitholders jointly and severally.

2 Conditions

This Supplemental Deed Poll is conditional upon and will have no force or effect until, the satisfaction of each of the conditions precedent stipulated in clause 3.1 of the Scheme Implementation Agreement.

3 Amendment of Constitution

The Responsible Entity amends the Constitution so that the Constitution is amended as set out in the Schedule:

(a) in respect of paragraphs 1, 2, 3, 4, 5, 6 and 8 of the Schedule, on and from the Implementation Date (as defined in the Schedule); and

(b) in respect of paragraph 7, on and from the Effective Time.

4 No Resettlement

The Responsible Entity confirms that it is not by this Supplemental Deed Poll:

(a) resettling or redeclaring the Trust declared under the Constitution;

(b) declaring any trust; or

(c) causing the transfer, vesting or accruing of any property comprising the assets of the Trust in any person.

Schedule 4. Part B – PCP Supplemental Deed Poll

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5 No merger

Each obligation set out in this Supplemental Deed Poll which is capable of having future operation continues in force after the Effective Time although this Supplemental Deed Poll has otherwise been fully performed.

6 Governing Law and Jurisdiction

This Supplemental Deed Poll is governed by the laws of New South Wales. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there, and waives any right to object to the venue on any ground.

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Executed and delivered as a Deed Poll in Sydney

Executed in accordance with section 127 of the *Corporations Act 2001* by **Investa Listed Funds Management Limited** (ABN 37 149 175 655) as responsible entity for the **Prime Credit Property Trust (ARSN 089 849 196)**:

Director Signature	Director/Secretary Signature
Print Name	Print Name

Schedule 4. Part B – PCP Supplemental Deed Poll

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Schedule

Amendments to the Constitution of Prime Credit Property Trust

The Constitution is amended as follows:

1 Clause 1.1 - Definitions

In clause 1.1 of the Constitution:

(a) a new definition of "Affiliate" is inserted as follows:

means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls directly or indirectly, the person or any entity directly or indirectly under common control with the person or any entity which ordinarily acts under the direction of the person. For this purpose ***control*** of any entity or person means ownership of a majority of the voting power of the entity or the person.

(b) a new definition of "Encumbrance" is inserted as follows:

means any mortgage, charge, lien, pledge, trust, power or title retention, flawed deposit arrangement, "security interest" as defined in sections 12(1) or (2) of the *Personal Property Securities Act 2009* (Cth), or the interest of a third party of any kind, whether legal or otherwise, or any agreement to create any of them or allowing them to exist.

(c) a new definition of "Law" is inserted as follows:

(a) the Corporations Act and any statute; and

(b) any common law rule that applies to the Trust.

(d) a new definition of "Management Agreement" is inserted as follows:

means any investment management agreement or asset management agreement which may be entered into (with the approval of the Unitholders) between the Trustee and the Manager relating to investment or asset management services provided by the Manager for the benefit of the Trust.

(e) a new definition of "Manager" is inserted as follows:

means the manager or any replacement or successor appointed by the Trustee to provide investment management services for the benefit of the Trust from time to time.

(f) a new definition of "Relevant Finance Document" is inserted as follows:

means a Trustee Finance Document or an Unitholder Finance Document.

(g) a new definition of "Reserved Matter" is inserted as follows:

any of the following matters or actions in relation to the Trust or Fund:

1 acquiring or disposing of any real or personal property or any other asset of the Fund;

2 borrowing, raising money, incurring any indebtedness or entering into any financial accommodation;

3 creating or permitting to exist any Encumbrance;

4 entering into any guarantee, indemnity bond, security deposit, letter of credit or suretyship or any other obligation to pay, purchase or provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or

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discharge of, to indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness of, obligation of, liability of or the insolvency of any other person;

5 issuing any Units or the grant of any Options or issuing any units or granting any options over units in any sub-trust; and

6 entering into or amending any contract or commitment (or any series of related contracts or commitments) which involves any Affiliate of the Trustee, including, for so long as Investa Listed Funds Management Limited is the trustee of the Trust, any of the following entities: Investa Office Management Limited, Investa Office Management Holdings Pty Ltd, Investa Asset Management Pty Ltd, Investa Asset Management (QLD) Ltd, Investa Property Group Holdings Pty Ltd or any of their Affiliates.

(h) a new definition of "Trustee Finance Document" is inserted as follows:

means any facility or loan agreement entered into by the Trustee.

(i) a new definition of "Unitholder Finance Document" is inserted as follows:

means any facility or loan agreement entered into between a Unitholder and any one or more third party financiers, which has been provided to the Trustee in writing.

2 Clause 6 - General powers of Trustee

(a) Clause 6.1(b) and clause 6.1(c) of the Constitution are deleted and substituted with the following clauses:

(b) Subject to clause 6.1(c), in the exercise of its powers the Trustee may, without limitation, acquire or dispose of any real or personal property, borrow or raise money, encumber any asset of the Fund, incur any liability, guarantee any obligations of any person, enter into joint venture arrangements or fetter any power.

(c) Notwithstanding any other provision of this constitution, the Trustee:

(i) must not exercise any power or discretion or take any action; and

(ii) to the extent that it is within the Trustee's control, must procure that no sub-trustee exercises any power or discretion or takes any action,

in connection with a Reserved Matter unless the Trustee has received prior written approval of the exercise or action from all Unitholders.

(d) The Trustee must take all such steps as practicable to direct and instruct the Manager under the Management Agreement to act consistently with the Trustee's obligations under this constitution in connection with the provision of services by the Manager under the Management Deed.

(e) The Trustee must:

(i) at all times, comply with the terms of any Relevant Finance Document; and

(ii) not act (or omit to act) in such a manner which would cause it or any Unitholder to be in breach of any Relevant Finance Document (whether or not the Trustee is party to any such document),

unless taking (or failing to take) any such action would constitute a breach of the Trustee's fiduciary or statutory obligations, provided that to the extent of any

Schedule 4. Part B – PCP Supplemental Deed Poll

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inconsistency between the terms of a Trustee Finance Document and a Unitholder Finance Document, the terms of the Unitholder Finance Document will prevail.

(b) Clause 6.2(b) of the Constitution is deleted and substituted with the following clause:

(b) Subject to clause 6.1(c), the Trustee may appoint an agent, custodian or other person, including an associate of the Trustee (each of whom may, with the approval of the Trustee, sub-delegate to any person any of its functions as it thinks fit), to acquire, hold title to, dispose of or otherwise deal with any asset of the Fund on behalf of the Trustee and perform any necessary incidental or ancillary action or other action approved by the Trustee.

(c) A new clause 6.5 is to be inserted into the Constitution with the following clause:

6.5 Sub-Trust Constitutions

To the extent that the Trust (acting through the Trustee) is the sole unitholder of a trust (***Sub Trust***), the Trustee must, on written direction from the sole unitholder of the Trust:

(a) consent to, and direct, the trustee of that Sub Trust to:

(i) make amendments to the trust deed of that Sub Trust to be consistent with clauses 6, 7.5, 12.3(d), 15 and 16.1 of this constitution (including, where applicable, the inclusion of the relevant definitions) as soon as practicable; and

(ii) if, for whatever reason, the trustee of that Sub Trust does not comply with the direction given under clause 6.5(a)(i):

(A) immediately call and convene a meeting of the unitholders of that Sub Trust; and

(B) pass a special resolution at that meeting to effect the changes set out in clause 6.5(a)(i); and

(b) where the trustee of a Sub Trust is the sole unitholder in a trust (***Sub Sub Trust***), procure that the trustee of that Sub Sub Trust:

(i) make amendments to the trust deed of that Sub Sub Trust to be consistent with clauses 6, 7.5, 12.3(d), 15 and 16.1 (including, where applicable, the inclusion of the relevant definitions) as soon as practicable; and

(ii) if, for whatever reason, the trustee of any Sub Sub Trust does not comply with the direction set out in clause 6.5(b)(i):

(A) immediately call and convene a meeting of the unitholders of that Sub Sub Trust; and

(B) pass a special resolution at that meeting to effect the changes set out in clause 6.5(b)(i).

3 Clause 7.5

Clause 7.5 of the Constitution is deleted and substituted with the following clause:

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7.5 Trustee interest in Trust and transaction

(a) Despite any other provision of this constitution, no present or future Trustee may hold Units or Options or otherwise become a beneficiary of the Trust.

(b) Affiliates of the Trustee are not precluded from holding Units or Options or otherwise becoming a beneficiary of the Trust.

(c) Nothing in this constitution restricts the Trustee or the Trustee's Affiliates from:

(i) dealing with the Trust or any Holder;

(ii) being interested in any contract or transaction with the Trust, any Holder, or retaining for its own benefit any profits or benefits derived from any such contract or transaction;

(iii) entering a contract or transaction in relation to which the Trust may become liable to pay fees, costs, brokerage, commissions or other remuneration to an Affiliate of the Trustee or an Affiliate of any of the directors of the Trustee;

(iv) acting in the same or a similar capacity in relation to any other trust; or

(v) dealing with itself in relation to the Fund where in relation to such dealings it is acting in different capacities.

4 Clause 12.3

A new clause 12.3(d) is inserted as follows:

(d) Despite any other provision of this Constitution, the Trustee shall not decline to register any transfer of Units where such transfer is:

(i) to a person holding a security interest over those Units (the **Secured *Party***) or a nominee of the Secured Party;

(ii) delivered to the Trustee for registration by a Secured Party or its nominee in order to perfect its security over the Units; or

(iii) executed by a Secured Party or its nominee pursuant to a power of sale or other power or right existing under such security,

and the Trustee shall forthwith register any such transfer of Units upon receipt.

5 Clause 15 - Alterations to Trust

Clause 15 of the Constitution is deleted and substituted with the following clause:

15 Alterations to Trust

15.1 Alterations by Trustee

The Trustee may amend this constitution (including this clause 15 but excluding clause 15.2) by deed at any time, subject to any approval required by Law.

15.2 Restriction on Amendment

Subject to Law, the Trustee must not amend this constitution to remove the requirement under clause 7.5(a) that no present or future Trustee may hold Units or Options or otherwise become a beneficiary of the Trust or to remove this restriction on amendment.

Schedule 4. Part B – PCP Supplemental Deed Poll

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6 Clause 16.1 - Term of Trust

Clause 16.1 of the Constitution is deleted and substituted with the following clause:

16.1 Term of Trust

The term of the Trust ends on the earlier of:

(a) a date determined by the Unitholders by special resolution directing the Trustee to terminate the Trust on that date; and

(b) the date on which the Trust is terminated under this constitution or by Law.

7 Clause 23 – Trust Scheme

A new clause 23 is inserted immediately after clause 22 of the Constitution, as set out below:

23 Trust Scheme

23.1 Definitions

The following definitions apply in this clause 23 unless the context requires otherwise:

Deed Poll means the deed poll dated 1 November 2018 executed by the Oxford Acquirer in favour of the Scheme Unitholders.

Effective means, in relation to the Trust Scheme, the supplemental deed poll making amendments to this Constitution to facilitate the Trust Scheme, including the insertion of clause 23, taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means the date on which the Trust Scheme becomes Effective.

Implementation Date means five Business Days following the Record Date, or such other date as may be agreed in writing between the Oxford Acquirer and the Trustee or as may be required by ASX.

Oxford Acquirer means each of Oxford AJO Bid Trust and Oxford PCP Bid Trust.

Oxford AJO Bid Trust means the Oxford AJO Bid Trustee acting in its capacity as trustee of the Glencoe Bid Trust.

Oxford AJO Bid Trustee means OPG TC II Pty Ltd (ACN 629 426 231).

Oxford Holder means Hines (Aus) Investment Services Pty Ltd ACN 169 230 335 acting in its capacity as trustee of the OPG Central Barangaroo 6 Trust ABN 61 400 575 123.

Oxford PCP Bid Trust means the Oxford PCP Bid Trustee acting in its capacity as trustee of the Barnes Bid Trust.

Oxford PCP Bid Trustee means OPG TC I Pty Ltd (ACN 629 426 259).

Record Date means 7.00pm (Sydney time) on the date that is five Business Days after the Effective Date, or such other date (after the Effective Date) as may be agreed in writing between the Oxford Acquirer and the Trustee or as may be required by ASX.

Registry means such suitably qualified person that is from time to time appointed by the Trustee to operate the Register.

Scheme Consideration means an amount equal to $3.07 for each Scheme Unit.

Scheme Implementation Agreement means the agreement of that name between the Trustee and the Oxford Acquirer dated 18 October 2018, as amended from time to time.

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Scheme Meeting means the meeting of Unitholders held on 4 December 2018 to consider the Scheme Resolutions, and includes any adjournment of that meeting.

Scheme Resolutions means the resolutions of the Unitholders to approve the Trust Scheme, including:

(a) an ordinary resolution approving for the purpose of item 7 of section 611 of the Corporations Act the acquisition by Oxford PCP Bid Trust of all of the Scheme Units; and

(b) a special resolution for the purpose of section 601GC(1) of the Corporations Act to approve amendments to this Constitution to facilitate the implementation of the Trust Scheme.

Scheme Unit means a Unit on issue as at the Record Date.

Scheme Unitholders means each person who is registered on the Register as a holder of Units as at the Record Date, other than the Oxford Holder (if applicable).

Trust Scheme means the arrangement by which all of the Scheme Units will be transferred to the Oxford PCP Bid Trust for the Scheme Consideration, as set out in this clause 23.

23.2 Implementation of Trust Scheme

(a) The definition of "Proposal" in clause 1.1 is deleted and replaced with the following new definition:

a proposal approved by special resolution of Holders, and that for this purpose, the proposal described in the notice of meeting and explanatory memorandum dated 6 November 2018 is a "Proposal".

(b) Each Scheme Unitholder and the Trustee must do all things and execute all deeds, instruments, transfers or other documents as the Trustee considers are necessary or desirable to give full effect to the terms of the Trust Scheme and the transactions contemplated by it.

(c) Without limiting the Trustee's other powers under this clause 23, the Trustee has power to do all things that it considers necessary, desirable or reasonably incidental to give effect to the Trust Scheme, the Scheme Implementation Agreement and the transactions contemplated by them.

(d) Subject to the Corporations Act, the Trustee, Oxford PCP Bid Trust or any of their directors, officers, employees or associates may do any act, matter or thing described in or contemplated by this clause 23 even if they have an interest (financial or otherwise) in the outcome of such exercise.

(e) Without limiting the Trustee's powers under this clause 23, subject to the Oxford Acquirer having complied with its obligations under clause 4.2(b) of the Deed Poll:

(i) on the Implementation Date, the Trustee must determine in accordance with clause 20.5(a) that the Stapling provisions of the Constitution will cease to apply on the Implementation Date and that the Implementation Date is to be the "Unstapling Date" for the purpose of clause 20.5 of the Constitution;

(ii) on the Effective Date each Holder is deemed to have irrevocably appointed the Trustee as the Scheme Unitholder's agent and attorney to transfer the Scheme Units on the Implementation Date for a price equal

Schedule 4. Part B – PCP Supplemental Deed Poll

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to the Scheme Consideration, in accordance with the terms of the Scheme Implementation Agreement and the Deed Poll; and

(iii) the Trustee must execute on behalf of each Scheme Unitholder a transfer of the Scheme Units in respect of which the Trustee is appointed as agent and attorney under clause 23(e)(ii) above in the manner and form which the Trustee considers necessary and deliver the transfer to the Registry for registration.

(f) This clause 23:

(i) binds the Trustee and all of the Holders from time to time (including those who do not attend the Scheme Meeting, those who do not vote at the Scheme Meeting and those who vote against the Scheme Resolutions); and

(ii) to the extent of any inconsistency, overrides the other provisions of this Constitution (but, for the avoidance of doubt, remains subject to the Corporations Act and the Listing Rules).

23.3 Warranty by Scheme Unitholders

Each Scheme Unitholder warrants to Oxford PCP Bid Trust and is deemed to have authorised the Trustee to warrant to Oxford PCP Bid Trust as agent and attorney for the Scheme Unitholder by virtue of this clause 23.3, that:

(a) all their Scheme Units (including any rights and entitlements attaching to those securities) transferred to Oxford PCP Bid Trust under the Trust Scheme, will, as at the date of the transfer, be fully paid and free from all Encumbrances; and

(b) they have full power and capacity to sell and to transfer their Scheme Units (including any rights and entitlements attaching to those securities) to Oxford PCP Bid Trust under the Trust Scheme.

23.4 Transfer free of Encumbrances

To the extent permitted by law, all Scheme Units (including any rights and entitlements attaching to those securities) which are transferred to Oxford PCP Bid Trust under the Trust Scheme will, at the date of the transfer of them to Oxford PCP Bid Trust, vest in Oxford PCP Bid Trust free from all Encumbrances.

23.5 Appointment of Oxford PCP Bid Trust as sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Units, on and from the Implementation Date until the Trustee registers Oxford PCP Bid Trust as the holder of all the Scheme Units in the Register, each Scheme Unitholder:

(a) irrevocably appoints the Trustee as attorney and agent (and directs the Trustee in such capacity) to appoint Oxford PCP Bid Trust and each of Oxford PCP Bid Trustee's directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable, corporate representative, to attend Unitholder meetings, exercise the votes attaching to Units registered in its name and sign any Unitholder resolution, and no Scheme Unitholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy, or by corporate representative (other than pursuant to this clause 23.5(a)); and

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(b) must take all other actions in the capacity of the registered holder of Units as Oxford PCP Bid Trust directs.

The Trustee undertakes in favour of each Scheme Unitholder that it will appoint Oxford PCP Bid Trust and each of Oxford PCP Bid Trustee's directors from time to time (jointly and each of them individually) as that Scheme Unitholder's proxy or, where applicable, corporate representative, in accordance with clause 23.5(a).

23.6 Unclaimed monies

(a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any amount payable to a Scheme Unitholder under the Trust Scheme which becomes 'unclaimed money' (as defined in section 7 of that Act).

(b) The Trustee may cancel a cheque issued on account of the Scheme Consideration if the cheque:

(i) is returned to the Trustee; or

(ii) has not been presented for payment within 6 months after the date on which the cheque was sent.

23.7 Orders of a court or Government Agency

(a) The Trustee may deduct and withhold from any Scheme Consideration which would otherwise be payable to a Scheme Unitholder any amount which Oxford PCP Bid Trustee or the Trustee determine is required to be deducted and withheld from that consideration under any applicable law, including any order, direction or notice made or given by a court of competent jurisdiction or by another Government Agency.

(b) To the extent that amounts are so deducted or withheld, such deducted or withheld amounts will be treated for all purposes under the Trust Scheme as having been paid to the person in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate Government Agency.

(c) If written notice is given to the Trustee (or the Registry) of an order, direction or notice made or given by a court of competent jurisdiction or by another Government Agency that:

(i) requires consideration which would otherwise be payable or provided to a Scheme Unitholder under the Trust Scheme must instead by paid or provided to a Government Agency or other third party (either through payment of a sum or the issuance of a security), then, the Trustee shall be entitled to procure that payment or provision of that consideration is made in accordance with that order, direction or notice (and payment or provision of that consideration in accordance with that order, direction or notice will be treated for all purposes under the Trust Scheme as having been paid or provided to that Scheme Unitholder); or

(ii) prevents the Trustee from providing consideration to any particular Scheme Unitholder under the Trust Scheme, or the payment or provision of such consideration is otherwise prohibited by applicable law, the Trustee shall be entitled to retain the Scheme Consideration to which that

Schedule 4. Part B – PCP Supplemental Deed Poll

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Scheme Unitholder would otherwise be entitled to under the Trust Scheme, until such time as payment or provision of the Scheme Consideration under the Trust Scheme is permitted by that order or direction or otherwise by law.

23.8 No disposals after the Effective Date

(a) If the Trust Scheme becomes Effective, a holder of Scheme Units (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Units or any interest in them after the Effective Date in any way except pursuant to the Trust Scheme and any such disposal will be void and of no legal effect whatsoever.

(b) The Trustee will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Units received after the Record Date (except a transfer to Oxford PCP Bid Trust pursuant to the Trust Scheme or any subsequent transfer by Oxford PCP Bid Trust or its successors in title).

23.9 Lapsing

Clause 23 will lapse and have no further force or effect if the Trust Scheme lapses in accordance with the Scheme Implementation Agreement.

8 Schedule 2 - Meetings

Paragraph 3 of Schedule 2(b) of the Constitution is deleted and substituted with the following clause:

(b) The quorum for any Meeting is 1 Holder.

Corporate Directory

INVESTA OFFICE FUND

Armstrong Jones Office Fund
ARSN 090 242 229

Prime Credit Property Trust
ARSN 089 849 196

FINANCIAL ADVISER

J.P. Morgan Australia Limited
Level 18, J.P. Morgan House, 85 Castlereagh Street
Sydney NSW 2000 Australia

AUDITOR

PricewaterhouseCoopers
ABN 52 780 433 757

One International Towers Sydney
Watermans Quay, Barangaroo
Sydney NSW 2000

IOF REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000 Australia

Locked Bag A14
Sydney South NSW 1235 Australia

Phone: +61 1300 851 394
Fax (general): (02) 9287 0303
Fax (voting): (02) 9287 0309

Email: investa@linkmarketservices.com.au

RESPONSIBLE ENTITY

Investa Listed Funds Management Limited
ACN 149 175 655
AFSL 401414

Level 30, 420 George Street
Sydney NSW 2000 Australia

LEGAL ADVISER

Allens
Level 28, 126 Phillip Street
Sydney NSW 2000 Australia

ACCOUNTING ADVISER

PricewaterhouseCoopers Securities Limited
ACN 003 311 617

One International Towers Sydney
Watermans Quay, Barangaroo
Sydney NSW 2000

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IOF

INVESTA OFFICE FUND
ARMSTRONG JONES OFFICE FUND ARSN 090 242 229
PRIME CREDIT PROPERTY TRUST ARSN 089 849 196

RESPONSIBLE ENTITY:
INVESTA LISTED FUNDS MANAGEMENT LIMITED
ACN 149 175 655 AFSL 401414

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Investa Office Fund
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: +61 1300 851 394

X99999999999

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SAMPLE

PROXY FORM

I/We being a member(s) of Investa Office Fund and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Investa Office Fund (the **Fund**) to be held at **2:30pm Tuesday, 4 December 2018 at the Westin Hotel, Heritage Ballroom, 1 Martin Place, Sydney** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

		For	Against	Abstain*
1	AJO Trust Acquisition Resolution			
2	PCP Trust Acquisition Resolution			
3	AJO Trust Constitution Amendment Resolution			
4	PCP Trust Constitution Amendment Resolution			
5	AJO De-stapling Resolution			
6	PCP De-stapling Resolution			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)	Joint Securityholder 2 (Individual)	Joint Securityholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Fund's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Fund's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Fund's security registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:30pm on Sunday, 2 December 2018,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

Investa Office Fund
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

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SAMPLE