

AUSTRALIAN

RESEARCH

PROPERTY ANALYSIS

Real Estate Capital Partners EntRE Fund

April 2008

A value-driven investment fund
with primary focus on direct property assets

Contents

1. Product Summary	3
2. Structure	5
3. Property Portfolio	7
4. Management & Corporate Governance	10
5. Investment Process	12
6. Performance Analytics	15
Appendix – Ratings Process	16

For Advisers Only

IMPORTANT NOTICE

Aegis has been commissioned to produce this report.

Disclaimer & Disclosure of Interests

This publication has been prepared by Aegis Equities Research Pty Limited ("Aegis") (ACN 085 293 910), an Australian Financial Services Licensee (AFSL no. 225072). Aegis has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. The company specified in the Report (the "Participant") has provided Aegis with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Aegis believes are reliable, no responsibility or liability is accepted by Aegis for any errors, omissions or misstatements however caused. Any opinions, forecasts or recommendations reflects the judgement and assumptions of Aegis as at the date of publication and may change without notice. Aegis and the Participant, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither Aegis nor the Participant are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Aegis. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. Aegis and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. Aegis and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Aegis, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. Aegis discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any). However, under no circumstances has Aegis been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the Legal Notice that can be located at <http://www.aegis.com.au/Public/Disclaimer.aspx>

Australian Managed Investments Unlisted Property

Note: This report is based on the Real Estate Capital Partners EntRE Fund PDS, dated 30 November 2007, together with other information provided by Real Estate Capital Partners Managed Investments Limited.

Real Estate Capital Partners EntRE Fund

A value-driven investment fund with primary focus on direct property assets.



Offer Overview

Product Summary

Real Estate Capital Partners EntRE Fund (the *Fund*), issued by Real Estate Capital Partners Managed Investments Limited (*RECP* or the *Manager*), provides exposure to real estate-based investments. Initially, a minimum of A\$15.0M is being sought, at a fixed unit price of A\$1.00. The net asset backing A\$0.96. The Fund employs a value-driven strategy to invest in attractive real estate assets or securities at below intrinsic value, with the ability to exit at multiple points. RECP creates value in investments through a combination of investing below intrinsic value, focused management strategies and durable markets to provide returns above that of the benchmark. Initially, the portfolio allocation of the Fund will consist of 92% direct property assets and 8% cash. These allocations will change as new investments become available. The investment mandate allows investment in both direct and indirect property assets, security investments and derivative based market linked securities. Gearing is limited to a maximum of 50% of the total assets of the Fund. Individual assets within the Fund may also be geared. Quarterly distributions are benchmarked against the average cash rate plus a margin of 1%, with the Mercer Unlisted Property Funds Index (rolling 5 years) used as a benchmark for total returns of the Fund.

Investment View

Investor Suitability

The Fund has acquired an initial investment portfolio that offers potential for attractive returns. Investors will have exposure to a portfolio of real estate assets and securities, providing the opportunity for both income and capital gain returns. RECP is forecasting a 15% total return per annum, with an 8% income return paid quarterly, resulting in an IRR in excess of 16% over a 3-year period. Aegis notes that the Manager's forecasts are premised on a portfolio of properties that as of yet does not exist and, therefore is not in a position to assess the Manager's forecasts. However, the initial strong performance in volatile markets provides confidence.

The Fund is suitable for investors seeking opportunities in a diversified real estate fund, with an investment horizon of 3 to 5 years. Distributing quarterly, the Fund offers redemption opportunities every six months, limited to 35% of the Fund's listed property trust (*LPT*) portfolio. RECP's investment philosophy is concentrated on making strategic investments, primarily gaining value from purchasing at a discount and from restructuring the properties to operate more efficiently. This may be attractive to investors who do not wish to expose themselves to development risk.

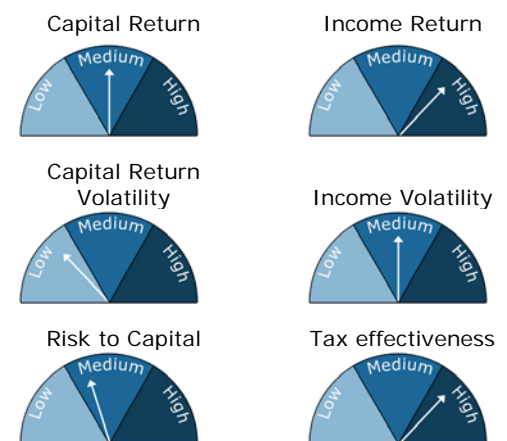
Recommendation

Aegis has reviewed the Fund and issued an **Investment Grade** rating.

Offer Details

Offer Opens	30 Nov 2007
Maturity (years)	Indefinite
Status	Open ended
Minimum Investment	A\$5,000
Increments	A\$1,000
Initial NAV	A\$0.96

Risk Return Profile



Advisors/Broker Fees (%)

Up-front	0 – 4.1
Ongoing (trailing)	0 – 0.5

Note: Brokerage fees may be rebated.

For Advisers Only

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

SWOT Summary

Strengths

- Clear investment objective, complementary investment strategy supported by a robust investment process and an appropriately qualified management team with a complementary skill set.
- The Manager has an extensive business network and global experience to maximise value of investments within the Fund. Investments made abroad diversify risk, and the Manager uses JV partners established in the country of investment, giving the Fund access to more extensive market information.
- The performance fee structure contributes to aligning the interests of investors and the Manager, especially as the hurdle rate implies a material capital component in total returns.

Weaknesses

- Illiquidity of the Fund restricts investors' ability to redeem their investment. Approximately 35% of the Fund's LPT portfolio is available to investors for redemption twice a year.
- While the individual members of the Manager are highly experienced, the team, as a collective, is unproven in an investment vehicle of this particular type.
- The key persons are Jason Bennett and Andrew Saunders. It is Jason, however that primarily manages the direct property within the Fund. The strong reliance on his skills creates a key person risk, although this is mitigated by the oversight by the Investment Review Committee, of which Andrew Saunders is also a member.

Opportunities

- The Fund's investment mandate is wide, allowing it to invest in direct and indirect properties in Australia and overseas.
- Industry experience and business contacts of the Manager should provide the fund with off-market opportunities for acquisitions. The Manager's ability to reposition and restructure lease agreements should add value to the Fund.

Threats

- The Manager's ability to add value is limited to the amount it derives from lease restructuring. The proportion of real estate owned by institutional managers is very high in Australia, making it more difficult to identify value-adding opportunities than it is in countries with lower institutional investment ratios.
- Overseas expansion requires joint venture partners to provide local market knowledge. If the skills of the joint venture partners are not as strong as those of the Manager, the quality of local advice may not be as strong as it is in Australia.

Operations

RE – Real Estate Capital Partners	
FUM	\$97M
RE's parent reviewed by Aegis	yes

Fees

	Total Assets (%)
Up-front	0 – 4.10
Ongoing/ICR	0.67
Acquisition	1.10

N.B. Management has been internalised into the Fund structure and does not form part of the ICR calculation. Additionally, ICR is exclusive of acquisition and performance fees.

Performance

The RE is eligible for a performance fee of 15% (excl. GST) of the total return of the Fund in excess of 12% p.a.

Financial Forecasts*

IRR (pre-tax, %)	16.3
IRR benchmark (%)	14.7
Breakeven (yr)	>1.0
Tax advantage (%)	100
Distribution frequency	Quarterly

* Source: the Manager

Capitalisation *

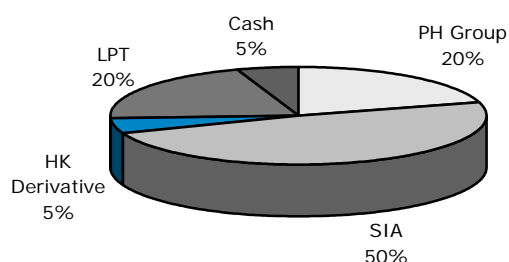
Equity (A\$M)	17.25
Debt (A\$M)	3.75
Total (A\$M)	21.00
Property (gross, A\$M)	20.30
Gearing (total assets, %)	18.50
Debt hedging (%)	Nil

* As at the date of this report.

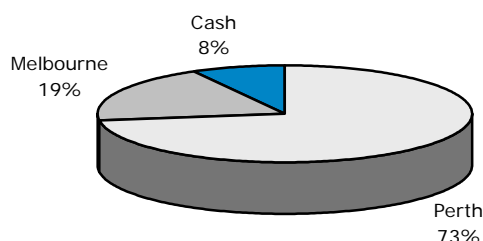
For Advisers Only

Income Sources (by Income)

Property Grade



Location



2. Structure

Product Overview

RECP is issuing 15.0M units (at A\$1.00 per unit) in the initial offer of the Fund at the A\$1.00 per unit price. The investment is structured as a stapled security; each unit purchased includes one unit in a trading trust, EntRE, and one unit in an investment trust, EntRE Trust.

The stapled structure enables RECP to separate the investments so that the investment trust pays tax-deferred distributions and the trading trust pays franked distributions. Distributions will be provided on a quarterly basis. Exiting investors will redeem the net asset value of their investment in the Fund minus the buy/sell spread.

The management company for the Fund has been internalised within the trading trust, which assists to align the interest of investors with the management of the Fund. Fees to RECP are limited to a performance fee of 15% (excluding GST) of the excess return above the benchmark return of 12%, with underperformance carried forward in the fee calculation, and an acquisition fee of 1% (excluding GST) on direct and indirect investments, excluding LPT and the like.

Gearing is used to increase exposure of the Fund, to a maximum gearing of 50%, with 35% as the targeted level. As at 31 March 2008, the Funds gearing is approximately 33%, although Perth is now been sold, which will reduce Fund gearing to 0%.

The Fund uses external managers SG Hiscock & Company Limited (SGH) to administer the listed property securities portfolio, with RECP retaining responsibility for the unlisted property portfolio, gearing, hedging and portfolio selection and weightings.

Investments in the Fund's portfolio may also consist of joint ventures with external parties. Currently, the Singapore Airlines portfolio is a 50:50 joint venture with Investec. Other projects may use a similar structure in the future. All assets are held in special purpose vehicles.

Before the Fund invests in an asset, the investment review committee reviews all investment proposals. There are no sector constraints on the Fund's investments within the general real estate asset class.

Key Exposure

Underlying Exposure: The property portfolio allocation whether direct or indirect is 75% with the balance in cash in security investments and market linked securities.

Currency Exposure: None

Exit Details

Exit Facility: Investors should view this product as a medium- to long-term investment, with early redemption available on a semi-annual basis, limited to 35% of the LPT portfolio.

Liquidity: Semi-annual redemptions

Holder Early Redemption: Not applicable

Issuer Early Redemption: Not applicable

For Advisers Only

Product Leverage

Used:	Gearing of up to 50% of total assets of the Fund is permitted. Individual investments in which the Fund invests may also be geared.
Cost (incl. Fees):	Estimated at Bank Bill + 0.7%. This is below the industry average of Bank Bill + 1.5%. The facility is provided by Suncorp. While the terms of the existing lending agreement are attractive, there is a risk of widening spreads in the current market environment.
Recourse:	None.

Capital Protection

Method:	None
---------	------

Tax

Disclaimer:	Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Aegis' expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice.
Capital gains:	Capital gains tax (<i>CGT</i>) is likely to apply upon sale of the delivery securities. Investors will likely be eligible for the 50% CGT discount upon sale of the delivery securities, if held for more than 12 months.
Distributions:	Treated as income in the year they are earned. Tax benefits are expected to flow through from the distributions from the investment trust and fully franked distributions from the investment trust. Distributions may be reinvested, but will be assessed as income in the year they are earned.
Interest deductibility:	N/A
Foreign Income Fund (<i>FIF</i>):	None

Legal Structure

Wrapper:	Unlisted unit trust
Custodian:	Trust Company Limited
Trustee:	Real Estate Capital Partners Managed Investments Limited ABN 55 115 913 810
Offer Document:	Product Disclosure Statement (<i>PDS</i>) lodged on 03 Nov 2007 with the Australian Securities and Investments Commission (<i>ASIC</i>).

Returns

Capital vs. Income:	The Fund has acquired an initial investment portfolio, which offers potential for attractive returns. Investors will have exposure to a portfolio of real estate assets and securities, providing the opportunity for both income and capital gain returns. The Manager is forecasting an IRR of 15.0% per annum, with an 8% income return paid quarterly. The Manager will absorb the establishment costs, resulting in an initial asset backing of A\$0.96
Income Frequency:	Quarterly
Foreign Currency Risk:	None

Investor Leverage

Available:	None
------------	------

Risks

Key risks:	Investments in property vehicles are subject to a range of risks, including general market risks and risks specific to the product. The PDS contains a full list of risks associated with this product. Investors should read and understand these risks before investing in the product. In our view, the key risks specific to this product are as follows:
Portfolio risk:	Income and capital returns are not guaranteed. The value of the Fund's investments may rise or fall, as may income from the investments. The Fund may also be impacted by adverse movements in interest rates.
Market risk:	The market value of direct/unlisted/listed property may increase or decrease depending on market conditions, including capitalisation rates, interest rates and currency values. This affects the value of the assets held by the Fund and the value of investments.
Currency risk:	The Fund will have interests in trusts and companies that hold underlying investments in countries other than Australia. If the value of overseas currencies changes relative to the Australian dollar, the value of investments of the Fund will change.

For Advisers Only

3. Property Portfolio

The Fund's initial portfolio comprises direct property investment (92%) and cash 8%.

Direct Property

The Fund entered into a joint venture with Investec to acquire the Singapore Airlines Limited (SAL) office portfolio in April 2007. The office buildings are located in the CBD of Melbourne and Perth. The Melbourne property is located at 416-420 Collins Street. The Perth property is located at 178 St Georges Terrace.

416-420 Collins Street, Melbourne

The property consists of two strata-titled units: one unit comprises the basement, ground level and level 1, and the other comprises level 2. The property forms part of a 12-storey "B" grade office building and the last refurbishment was undertaken around 1980s. A refurbishment of the ground floor foyer and street front facade is about to be undertaken by the Body Corporate.

The basement and ground level have existing lease to retailer Rivers (Australia) Pty Ltd, which expired on 20 July 2007 and is currently (as at 30 November 2007) on a monthly hold over basis. The current passing net rental achieved is considered to be below current market rental rates (assessment conducted by property valuer). Level 2 is occupied by Singapore Airlines Limited and is generating a passing net rental of A\$128,472 per annum, with annual review at 4% or CPI, whichever is greater. As at 31 March 2008, the property is returning a passing yield of 5.62%.

The Manager has restructured the tenancy mix by changing the Rivers tenancy into three new tenancies. Heads of Agreements have been executed with three tenants for this space, with Rivers being retained as the key retail tenant, with a reduced area, and the residual space to be occupied by a specialty food retailer on the ground floor and an alternative operator on the basement level. The new tenancies provided a significant uplift of rentals. A director's valuation carried out on 8 November 2007 provided a carry value of A\$5.8M at a yield of 5.50%. The Manager expects this yield to increase significantly once the proposed new leases are finalized. Both ground floor leases are expected to be executed by mid-April.

178 St Georges Terrace, Perth

The property is a modern office building with net lettable office area of 3,099sqm over nine upper levels, a ground floor and a basement level of car park. The property is located on the northern side of St Georges Terrace, the premier address for commercial and financial activity within Perth Central Business District.

The Fund owns 50% of the property on a freehold basis. The market value as per the valuation was A\$14.5M (as at 11 May 2007) on a 5.14% passing yield.

The Manager has indicated that the Fund has entered into new leases and undertaken rent reviews for 54% of the tenancies. Rent increased from an initial average of A\$258/sqm to an average of A\$406/sqm for the areas reviewed. A carrying value of A\$16.5M was assessed on 8 November 2007, based on a director's valuation at a yield of 5.50%. The Manager offered the property to the market by EOI closing 3 April 2008, to capitalize on the strength of the Perth market. A bid of A\$19.3M has been accepted.

Unlisted Securities

EntRE acquired an 8.62% in the PH Sydney Hotel Group, which owns the five star Park Hyatt Hotel. The Hotel has since been sold for a record \$201 million. The PH Sydney Hotel Group is now being wound up and an initial payment of \$1.26 has been received. The total payment to EntRE is estimated to be \$1.42 per unit. This compares exceptionally well with the acquisition price of \$1.00 per unit and provides the fund with a potential IRR of >50%.

For Advisers Only

Property Derivatives

Through associate Sun Hun Kai Securities (part of the Mulpha Group) in Hong Kong, EntRE may from invest in the Hong Kong Island residential market through property derivatives. The Fund would take long positions.

A long position means that the fund will benefit from an increase in movement in property prices in the Hong Kong residential market, as proxied by an index produced by the Hong Kong University, which is an institutional grade index.

Property Securities

The Fund's initial LPT investment will comprise 25% of FUM. The listed property portfolio is managed by SG Hiscock & Company under a collaborative wholesale mandate. The Fund may also invest in other funds managed by RECP, which creates the potential for a conflict of interest.

Figure 1 presents the top ten weighted stock within the RECP Active Listed Property Portfolio. The allocations in Figure 1 are indicative only and subject to change.

Figure 1. Top Ten Weighted Stock Exposure* Expected Exposure

LISTED PROPERTY SECURITIES	SYMBOLS	ALLOCATION (%)
Westfield Group	WDC	8.9
Gen Property Group	GPT	8.7
Macquarie Office Trust	MOF	7.0
Macquarie Countrywide Trust	MCW	6.9
ING Real Estate Community Living Group	ILF	5.4
Dexus Property Group	DXS	5.2
Tishman Speyer Office Fund	TSO	5.0
ING Office Fund	IOF	4.9
Valad Property Group	VPG	4.0
CFS Retail Property Trust	CFX	3.9

* Individual stock weighting is based on initial acquisition cost.

Source: RECP

Property Market Overview

Listed Property Sector

Capital returns from Australian-listed property securities have been unusually strong over the past five years, following sustained yield compression in the underlying direct property assets. It is anticipated that such yield compression is now, generally, likely to decrease (as considered further below), leading to the probability of a lower level of capital returns from Australian-listed property securities in the short to medium term.

The listed property securities sector in Australia is diverging into two principal groups of trusts: those that simply own property, collect the rent and remit this to investors (property-owning trusts) and those that are seeking to diversify their revenue sources through a range of property businesses, including property ownership, third-party property funds management and major development projects (fund manager trusts).

In broad terms, fund manager trusts are trading to provide an income yield of sub-5%, compared with property-owning trusts that are trading to provide an income yield of 6% plus.

For Advisers Only

The performance of property-owning trusts is heavily influenced by the performance of the sub-sector in which the underlying property portfolio is held and by the management skills applied.

Aegis considers that many commercial property markets across the country have had significant capitalisation rate compression over the past few years, increasing capital values, and that is unlikely to continue over the next few years.

In most markets, there is good balance between supply and demand (with undersupply in Brisbane, Perth and Sydney office markets), so income should continue to experience reasonable growth.

Whilst the retail market is expected to continue to generate stable income returns based on continued robustness in consumer spending, Aegis considers that capital returns may be lower in the near future, as the significant capitalisation rate compression of recent years is expected to slow, as trusts progressively complete their revaluation cycles.

With the increasing number of trusts now land-banking and developing industrial property, the supply of industrial property investments is greater, leading to decreasing levels of rental growth. Similarly, yield compression for the majority of industrial sub-sectors now appears to have ceased, with capital growth in the future likely to be driven by fundamentals such as the prospects of rental growth, quality of tenants and so forth.

Unlisted Property Sector

The unlisted property trust sector has shown strong growth, with industry estimates currently valuing the sector in excess of A\$17B. The sector has witnessed increased flows from superannuation funds and do-it-yourself investors seeking diversification and attractive stable yields that sometimes carry tax-deferred benefits. Demand has also been amplified by consolidation activity and the move, in the listed property trust sector, to a relatively more risk-oriented growth profile in recent months.

Aegis notes that new offerings of traditional property-owning unlisted trusts with geared exposure to good quality assets are now becoming rare, with recent offerings including poorer quality assets, higher levels of financial engineering and "fund of funds" trusts. Aegis considers that this may make accretive stock selection increasingly challenging for RECP in the future.

For Advisers Only

4. Management & Corporate Governance

Investment Manager

Real Estate Capital Partners Managed Investments Limited (AFSL 299074) is the Manager for the Fund. The key shareholders of RECP are TASC Capital Pty Ltd, a company controlled by the Saunders family and Mulpha Australia Limited (MAL), the Australian subsidiary of Mulpha International Bhd, a company listed on the Malaysian Stock Exchange. The PDS for the Fund is open between 30 November 2007 and 31 March 2008 and was underwritten to 17.25 million units by RECP, with the provision for the Fund to be re-opened from time to time to raise further funds.

The investment team includes an investment committee formed from RECP employees and its executive directors. It is responsible for the allocation of assets between the sub-portfolios of listed and unlisted property securities and structured products, as well as for determining the appropriate level of gearing for the Fund in the prevailing market circumstances. Stock selection for the listed property trust portfolio is carried out by SG Hiscock under investment mandates.

RECP outsources accounting, registry, unit pricing, custody and administration to ANZ, UBS AG and Registries Limited.

Board of Directors

Andrew Saunders, CEO: 20 years of experience in property, banking and funds management in Sydney, London, Singapore and the US.

Paul Nielsen: 15 years of experience in researching property securities for major research houses. Mr Nielsen has an MBA from the University of New England.

Linden Toll: 14 years of experience in domestic and international financial and investment markets. Mr Toll is the national president of ADPIA.

Management Team

RECAP

The key person in the Manager's investment team, from the investment perspective, is Mr Jason Bennett who primarily manages the direct property within the Fund and inputs to asset allocation across the portfolio. Mr Bennett is a qualified valuer and his career as an experienced property consultant with more than 17 years of commercial property experience equips him well for this role, but the strong reliance on his skills creates a key person risk.

The other members of the investment committee have good experience in the funds management industry, but largely from perspectives other than day-to-day direct property investment management.

SG Hiscock

SG Hiscock & Company is a boutique fund manager specialising in listed property securities and Australian equities. The company was established in 2001 and is 100% owned by its staff. The company has a well-developed investment style, which it calls 'ValueActive', that has a long track record of successful investment in the sector. SG Hiscock is mandated to manage the index-aware and the index-unaware portfolios and receives management fees under the mandate, which are in addition to the fees payable to the RE. Aegis is satisfied that SG Hiscock has the experience and skills to operate these mandates.

For Advisers Only

UBS AG

UBS AG is responsible for the structured products component of the portfolio, as well as the execution of written calls over the portfolio. It has extensive experience in Europe in developing and offering structured products to the retail and wholesale markets. UBS does not earn management fees from the structured products component of the portfolio, but makes its fees by acting as counterparty to the products. RECP relies on UBS AG for the competitive pricing of the barrier options that are inherent in the structured products component of the portfolio.

Alignment of Interest

The Fund provides for a performance fee payable to the RE in the event the distributions from the Fund during the assessment period exceed the benchmark return for the period. Any increase or decrease in the value of units resulting from unrealised capital growth or losses in the underlying portfolio is ignored. The fee is set at 15% of the income distribution in excess of the benchmark return.

The benchmark return for the Fund is calculated on a daily basis by aggregating for each unit in existence at the end of each day (the issue price of that unit multiplied by the benchmark rate of return for that day). The benchmark rate of return is specified as the RBA cash rate + 1% divided by 365.

There is a carry forward underperformance from previous periods, which increases the alignment of interest with shareholders.

For Advisers Only

5. Investment Process

The Fund has a clear investment objective, complementary investment strategy and a robust investment process.

Investment Objective

The Fund's investment objective is to provide its shareholders with stable cash distribution and the potential for capital growth through investment in direct and indirect property assets. The Fund aims to generate cash distribution and total return in excess of the 90 day bank bill rate + 1% and the rolling 5-year Mercer Unlisted Property Funds Index, respectively.

Investment Strategy

To attain the objective, the Fund has devised a value-focused investment strategy.

Key elements of the investment strategy for the Fund include the following:

- Qualitative or attraction approach to acquire or seek investment opportunities for ease of sale when divesting.
- Value or fundamental investment strategy in the identification and acquisition of assets at a discount to intrinsic value;
- Timed exit strategy to capitalise on investment value;
- Active asset management that seeks earnings/rentals and returns momentum.

Aegis considers the investment strategy to be complementary with the investment objective for the Fund. However, the availability of opportunities may be limited due to fierce competition in the marketplace for investment-grade properties with value-adding opportunities.

Investment Approach

The Fund adopts a "value-oriented" investment approach designed to outperform in a declining market. This means that investments are made according to the traditional property fundamentals of high-quality properties and strong rental income streams combined with high-quality tenants on long-term leases. Investment is strategy-based and focuses largely on direct property assets as opposed to a theme-based investment style (investment in defined sector/geographical location). Allocations are not constrained and can be made to any investment as long as the Fund's criteria are met.

The Fund may also enter into agreements with other parties to co-invest. The contractual agreement between the partners will be structured in such a way that the Manager of the Fund maintains an appropriate level of control to influence key investment decisions.

Aegis considers the value-oriented investment approach to be both consistent with and supportive of the investment objective.

Investment Process

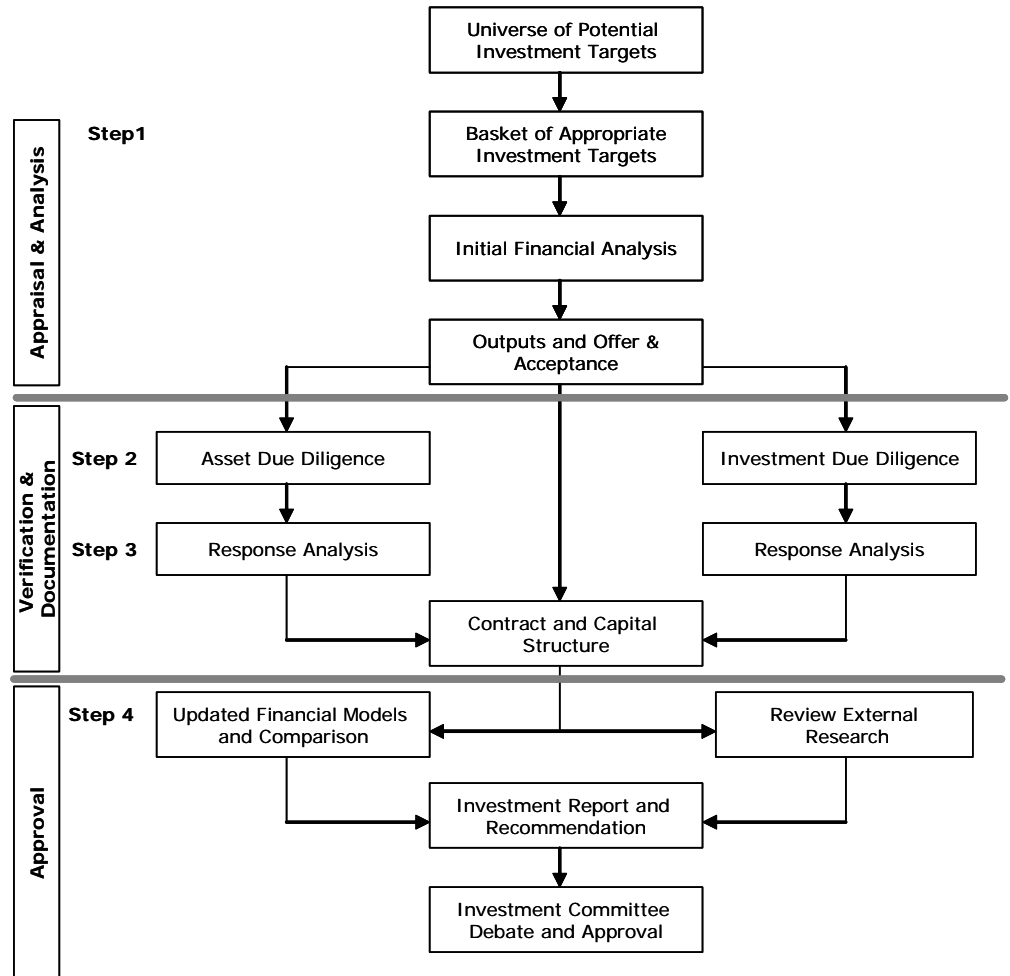
The Manager places high emphasis on daily monitoring and continuous research, including financial information analysis, manager meetings, property site visits, stockbroking research and property industry contacts.

Access to investment pipeline is predominantly leveraged on the business networks of the management team. The key shareholders of RECP are closely aligned with established businesses globally, which allows for the Fund to benefit from opportunities normally reserved for wholesale investors. However, there will be no guaranteed right to do so.

For Advisers Only

The Fund has defined investment goals and processes at which potential investments are filtered through. These processes are summarised in Figure 2 below.

Figure 2. Investment Selection Process



Source: Real Estate Capital Partners

Step 1:

The broader universe of investments is narrowed. Preliminary analysis of potential investments is undertaken and both income and capital forecasts are derived for the purpose of comparison against investment goals.

Step 2:

Due diligence regarding the asset and investment structure is conducted. A 'top-down' approach analyses the potential investment, including the target financial structure, forecasts, return profiles, risks and fees

Step 3:

A 'bottom-up' due diligence process is also initiated from the investment return perspective. The data is analysed to form an initial opinion regarding the portfolio and is downloaded into 'top-down' financial models.

Step 4:

Resulting financial inputs are fed into the financial models and the final results, along with other completed criteria, are put forward to an investment committee. The committee will decide whether to acquire the investment and the appropriate capital structure and fund raising process.

For Advisers Only

Aegis has reviewed each of the above review process and considers them to be adequate, with an appealing combination of quantitative and qualitative analyses.

Process for Unlisted Portfolio

The Fund invests in unlisted property securities that mainly invest in Australian and international direct property, but may also invest in fund-of-fund type products.

Investments in unlisted property securities are determined with initial regard to the asset allocation constraints outlined above and a series of investment criteria, benchmarked against external data from economic, property agency and independent research sources.

An investment questionnaire (focusing on the product) and a management questionnaire (focusing on the manager) are completed by the unlisted property security manager and a financial assessment undertaken by the Manager to determine if the product achieves the Fund's financial hurdles.

A site visit is then conducted, the unlisted property security manager interviewed, valuation(s) analysed and the report of an independent research house reviewed. On the basis of this process, the Manager may proceed to analyse the unlisted property security

A report and recommendation is then prepared for the investment committee, which approves or declines the proposed investment. The investment committee is the sole arbiter in the determination of whether the investment meets the Fund's investment criteria.

Aegis has reviewed the asset allocation constraints, investment criteria, questionnaires and proprietary feasibility model, and considers them to provide a detailed overview of potential investments in unlisted property securities, though of a primarily qualitative nature. Aegis remains concerned, however, about the lack of independent and external inputs to the investment committee, given its unilateral role in the investment process for unlisted property securities.

For Advisers Only

6. Performance Analytics

Our analysis of the Fund was limited to a fundamental analysis of the projected investments and assumptions. The Fund has just been issued and there is no past performance data available. The Manager has deemed the Fund comparable to the RBA cash rate + 1% for income returns and Mercer Unlisted Property Funds index (rolling 5 years) for total return.

Past Performance

There is no past performance data available for the Fund.

Expected Future Performance

The Fund has acquired an initial investment portfolio that offers potential for attractive returns. Investors will have exposure to a portfolio of real estate assets and securities, providing the opportunity for both income and capital gain returns. The Manager is forecasting a 15% total return per annum, with an 8% income return paid quarterly, resulting in an IRR in excess 16% over a 3-year period.

To date the Manager has been able to successfully execute its investment strategy, and during a period of extreme market volatility. The Manager has been able to secure properties that adhere to its value strategy. Additionally, the Manager's view is that the current market environment is highly conducive for value investments.

Valuation

On average, the valuations for direct properties within the portfolio are currently undervalued. This is in line with the Manager's investment methodology, aiming to purchase investments at a discount. Rental levels are also below market, providing opportunities for RECP to increase value through restructuring.

For Advisers Only

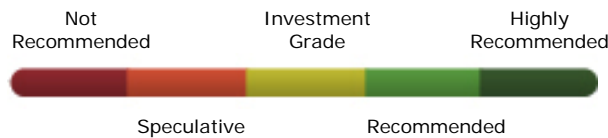
Appendix – Ratings Process

Aegis has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors.

Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

The Ratings

Our rating is based on the following scale:



Highly Recommended: indicates that Aegis believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and scored exceptionally in a number of categories. It has an attractive risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Recommended: indicates that Aegis believes this is an above average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above average risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Investment Grade: indicates that Aegis believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation parameters. The product may provide unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors. In the previous five category rating system, this category was termed 'Approved'.

Speculative: indicates that Aegis believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Aegis does not rule out investing in this product, investors should be very aware of, and be comfortable with, the specific risks. The product may provide unique diversification opportunities; however, concerns over one or more features means that it may not be suitable for most investors.

Not Recommended: indicates that Aegis believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. However, this does not mean that the product is without merit.

This report has been commissioned, and, as such, Aegis has received a fee for its publication. However, under no circumstances has Aegis been influenced, either directly or indirectly, in making statements and/or recommendations contained in this report.

The offer of the securities is made in the Product Disclosure Statement (PDS), and anyone wishing to acquire the securities should complete the application form in the PDS.

For Advisers Only

This page has been left intentionally blank

For Advisers Only

This page has been left intentionally blank

For Advisers Only

Aegis Equities Research

Peter Leodaritsis
Managing Director
Phone: 61 2 8296 1100
peter.leodaritsis@aegis.com.au

Mamun Rashid
Chief Operating Officer & General
Counsel
Phone: 61 2 8296 1160
mamun.rashid@aegis.com.au

RESEARCH

Sharon Loaiza
Head of Research
Phone: 61 2 8296 1131
sharon.loaiza@aegis.com.au

Ravi Reddy
Head of Equities Analysis
Phone: 61 2 8296 1165
ravi.reddy@aegis.com.au

SALES

Craig Northey
Head of Sales
Phone: 61 2 8296 1114
craig.northey@aegis.com.au

Nigel O'Brien
Business Development Manager
Phone: 61 2 8296 1166
nigel.o'brien@aegis.com.au

Joyce Sivris
Business Development Manager
Phone: 61 2 8296 1125
joyce.sivris@aegis.com.au

Joanna Judd
Business Development Officer
Phone: 61 2 8296 1102
joanna.judd@aegis.com.au

IMPLEMENTED RESEARCH MODELS

Mandy Depangher
Client Services Manager
Phone: 61 2 8296 1159
mandy.depangher@aegis.com.au

CLIENT SERVICES

Pamella McIntosh
Manager Client Services
Phone: 61 2 8296 1124
pamella.mcintosh@aegis.com.au

INFORMATION TECHNOLOGY

Evan Ferris
Chief Technical Officer
Phone: 61 2 8296 1116
evan.ferris@aegis.com.au

IMPORTANT NOTICE

Aegis has been commissioned to produce this report.

Disclaimer & Disclosure of Interests

This publication has been prepared by Aegis Equities Research Pty Limited ("Aegis") (ACN 085 293 910), an Australian Financial Services Licensee (AFSL no. 225072). Aegis has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. The company specified in the Report (the "Participant") has provided Aegis with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Aegis believes are reliable, no responsibility or liability is accepted by Aegis for any errors, omissions or misstatements however caused. Any opinions, forecasts or recommendations reflects the judgement and assumptions of Aegis as at the date of publication and may change without notice. Aegis and the Participant, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither Aegis nor the Participant are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Aegis. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. Aegis and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. Aegis and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Aegis, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. Aegis discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any). However, under no circumstances has Aegis been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the [Legal Notice](#) that can be located at <http://www.aegis.com.au/Public/Disclaimer.aspx>



Level 6, 33 York Street
Sydney NSW 2000 Australia
Locked Bag 7 Australia Square
Sydney NSW 1215
Phone 61 2 8296 1100
Fax 61 2 9299 3777
ABN 72 085 293 910
www.aegis.com.au