



# Investor Update

16 March 2023 @ 7:30pm

Slide Deck

## **General Advice Warning:**

This information is of a **general nature only** and does not take into account your objectives, financial situation or needs.

You should consider the Product Disclosure Statement Issued by Plantation Capital Limited (ACN 133 678 029 AFSL 339481) in respect to your investment in the Passive Income (USA Commercial Property) Fund. Past performance is not a guarantee of future performance.

No earnings estimates are made.



Any discussion of forecast profitability, distributions, redemptions, etc. are derived from unaudited financial projections. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Responsible Entity. The Responsible Entity cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.



## **Agenda**

- Fund Performance
- FY22 Audited Financials
- Property Portfolio Sit Rep
- 2023 Redemption
- What Happens From Here?
- New Fund Outline
- Q & A





# Part 1a

## Performance

### (Based on performance fee calc)



- Rent still  
+ve cashflow
- Upside from sales  
prices > FMV





- Appraisals finally caught up
- Now a risk of FMV being a bit high as cap rates ↑ as interest rates ↑



- Enjoyed some FX benefits throughout the year.



## AUD:USD

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Start	<b>72.7 ¢</b>	77.1 ¢	70.2¢	70.4¢	78.1¢	71.8¢	72.9¢	81.7¢	89.2¢	103.8¢
End	<b>68.2 ¢</b>	72.7 ¢	77.1¢	70.2¢	70.4¢	78.1¢	71.8¢	72.9¢	81.7¢	89.2¢
Mvt ¢	<b>4.5 ¢</b>	4.4 ¢	-6.9¢	0.2¢	7.7¢	-6.3¢	1.1¢	8.8¢	7.5¢	14.6¢
Mvt %	<b>6.2 %</b>	5.7%	-9.8%	0.3%	9.9%	-8.8%	1.5%	10.8%	8.4%	14.1%

## Performance

As measured by performance fee calc

	2022	2021	2020	2019	2018	2017	2016
<b>Return</b>	<b>41.17%</b>	<b>13.40%</b>	<b>(0.45%)</b>	<b>6.57%</b>	<b>19.88%</b>	<b>4.57%</b>	<b>11.73%</b>
Hurdle	<b>12.00%</b>	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Surplus/ (Shortfall)	<b>16.48%</b>	(1.40%)	(12.45%)	(5.43%)	7.88%	(7.43%)	(0.27%)
Overs / (Unders)	<b>12.69%</b>	(16.48%)	(17.88%)	(5.43%)	0.18%	(7.70%)	(0.27%)



# Part 1b

## Performance

### (Based on cents per unit calc)



## Net Return (cents per unit since 1/1/2013)

	2022	2021	2020	2019	2018	2017	All Time
Distributions	28.00	16.00	21.75	10.00	10.00	10.00	125.35
Unit Price <sup>^</sup>	12.22	(1.58)	(28.19)	(1.99)	14.38	(3.32)	35.76
<b>Total</b>	<b>40.22</b>	<b>14.42</b>	<b>(6.44)</b>	8.01	24.38	6.68	<b>161.11</b>

\* Gross of US withholding tax ^ Including effect of FX



## Net Return (cents per unit since 1/1/2013)

	2022	2021	2020	2019	2018	2017	All Time
Distributions	28.00	16.00	21.75	10.00	10.00		125.35
Unit Price <sup>^</sup>	12.22	(1.58)	(28.19)	(1.99)			
Total	40.22	14.42	(6.44)	8.01	24.00		

**All Time  
Annualised Return**  
**16.11%**  
 net of fees

\* Gross of US withholding tax ^ Including effect of FX



### What is the best performing Australian large shares managed fund?

TOTAL FUNDS COMPARED	311
Index ETF return before fees	9.06% p.a.
Index ETF fees	0.10% p.a.
<b>Index ETF net return</b>	<b>8.96% p.a.</b>
Average managed fund return before fees	8.8% p.a.
Average managed funds fees	1.32% p.a.
<b>Average managed fund net return after fees</b>	<b>7.48% p.a.</b>
\$100,000 invested in the index ETF 5 years ago	\$153,580
\$100,000 invested in the average managed fund 5 years ago	\$143,429
Managed funds that beat the index ETF benchmark over 5 years	80 funds (25.7%)
Managed funds that underperformed the index ETF benchmark over 5 years	231 funds (74.3%)

<https://blog.stockspot.com.au/best-managed-funds/>





## Part 2

# FY22 Audited Financial Statements

1 January 2022 – 31 December 2022



## Profit & Loss



INCOME	2022	2021
031	\$10,827	\$10,714
FV Capital Gains	\$20,569	\$1,871
Realised Capital Gains	\$5,353	\$1,931
All Other Income	\$1,061	\$1,165
<b>Total Income</b>	<b>\$37,810</b>	<b>\$15,681</b>

Dollars in thousands





## Insight

- **Revenue ↑ 141%**
  - Appraised values finally caught up
  - Sale prices above FMV
  - Rental remained the same despite less property owned
    - Almost no vacancy
    - Rental increases
    - FX improvements



## Profit & Loss

EXPENSES	2022	2021
Property	\$5,082	\$5,270
Finance	\$702	\$664
RE Fees	\$5,442	\$2,114
Other	\$302	\$231
<b>Total Expenses</b>	<b>\$11,528</b>	<b>\$8,279</b>

Dollars in thousands



## Insight

- Expenses  
(before performance fee)  
were \$8,266,864 which  
were on par with 2021.

## Profit & Loss

BEFORE TAX	2022	2021
Income	\$37,810	\$15,681
Expenses	(\$11,528)	(\$8,279)
Operating Profit Before Tax	\$26,282	\$7,402

Dollars in thousands



## Profit & Loss

AFTER TAX	2022	2021
Operating Profit Before Tax	\$26,282	\$7,402
Tax Expense	(\$7,716)	(\$1,839)
Operating After Before Tax	\$18,566	\$5,563

Dollars in thousands



## Balance Sheet

ASSETS	2022	2021
Property	\$101,423	\$95,890
Cash	\$24,644	\$21,091
Other	\$1,603	\$1,333
Total Assets	\$127,670	\$118,314

Dollars in thousands



## Balance Sheet

LIABILITIES	2021	2020
Borrowings (Property)	\$11,005	\$12,256
Deferred Tax Liability	\$15,033	\$8,846
Other	\$14,983*	\$10,346
<b>Total Liabilities</b>	<b>\$41,021</b>	<b>\$31,448</b>

\* \$9.1m Dec 22 distributions payable

Dollars in thousands



## Balance Sheet

EQUITY	2022	2021
Unitholder Funds	\$84,930	\$87,583
FCTR	\$22,115	\$15,864
Distributions (Paid/Payable)	(\$20,395)	(\$17,990)
<b>Total Equity</b>	<b>\$86,650</b>	<b>\$85,457</b>

Dollars in thousands



## Distributions

<b>PAID</b>	<b>2022</b>	<b>2021</b>
Interim	15.00¢	6.00¢
Final	13.00¢	10.00¢
<b>Total</b>	<b>28.00¢</b>	<b>16.00¢</b>

Dollars in thousands



## Distributions

<b>PAID</b>	<b>2022</b>	<b>2021</b>
Interim	\$11,844	\$4,748
Final	\$9,128	\$7,721
<b>Total</b>	<b>\$20,972</b>	<b>\$12,469</b>

Dollars in thousands



## Redemptions

	2022	2021
Redemptions	(\$2,652)	(\$5,671)

Dollars in thousands



## Cash Flows

	2022	2021
Operating Activities	\$9,114	\$5,088
Taxes	(\$3,433)	(\$2,722)
Net Operating Activities	\$5,681	\$2,366

Dollars in thousands



## Possibility

As we sell down property  
our rents will ↓ but no  
issue of solvency as  
expenses can be met from  
cash and property sales



## Cash Flows

	2022	2021
Operating Activities	\$5,681	\$2,366
Investing Activities	\$21,857	\$6,086
Financing Activities	(\$24,291)	(\$13,246)
Change In Cash	\$3,247	(\$4,794)

Dollars in thousands



## Steve's Total Investment

	2022	2021
Units	3,574,958	3,574,958
Value	\$4,853,363	\$4,416,503
Distribution	\$1,000,988	\$562,888

Per Related Party Transactions



## RE Fees

	2022	2021
Management	\$2,180,994	\$2,114,431
Performance	\$3,260,904	\$-
Total Fees	\$5,441,898	\$2,114,431

Before GST





## Overall...

- A very pleasing result for everyone
- Operations remain profitable
- Appraisals 'caught up'
- Market conditions remained strong



## Part 3

### Property Portfolio Sit Rep



Properties Sold Since 1 Jan 2023				
Property	Type	Sale Price	CMV	Change
OBT	R/I	\$4,250,000	\$4,250,000	\$-
Eastview	I	\$3,595,000	\$3,595,000	\$-
Northland	I	\$1,925,000	\$1,821,770	\$103,230
Pine Ridge	I	\$2,200,000	\$1,827,600	\$372,400
<b>Total</b>				<b>\$475,630</b>



Properties Presently Under Conditional Contract				
Property	Type	Sale Price	CMV	Change
Hanson	I	\$2,450,000	\$2,370,000	\$80,000
5636YQ	I		\$1,250,000	(\$70,000)
Giron	I	\$5,150,000	\$5,350,000	(\$200,000)
<b>Total</b>				<b>(\$190,000)</b>



Properties About To Go Under Contract				
Property	Type	Sale Price	CMV	Change
Eagle	R	\$6,500,000	\$6,800,000	(\$300,000)
Maple	R	\$2,850,000	\$2,990,615	(\$140,615)
<b>Total</b>				<b>(\$440,615)</b>



## Observation

- Retail cap rates have ↑ since 12/22, resulting in softer prices
- Industrial property cap rates have too, but by less
- Smaller industrial still very strong



<b>Properties To Be Sold (GA)</b>					
<b>Property</b>	<b>Type</b>	<b>CMV</b>	<b>Appraised Cap Rate</b>	<b>Expected Cap Rate</b>	<b>Appraisal Vacancy</b>
Scientific	I/O	\$5,900,000	6.75%	7.00%	3.0%
Westlake	I/O	\$10,500,000	6.75%	7.00%	3.0%
385McDonough	I	\$1,750,000	7.75%	7.00%	1.0%



<b>Properties To Be Sold (FL)</b>					
<b>Property</b>	<b>Type</b>	<b>CMV</b>	<b>Appraised Cap Rate</b>	<b>Expected Cap Rate</b>	<b>Appraisal Vacancy</b>
Palmetto	I	\$6,321,000	6.75%	7.00%	3.0%
Hamlin	I	\$6,716,702	6.75%	7.00%	3.0%
49CW N	I	\$5,777,000	6.50%	7.00%	5.0%
5760YQ	I	\$1,830,000	6.50%	7.00%	3.0%





# Part 4

## 2023 Redemption



## Redemption Details

- Open until 5pm 31 March
- \$5m set aside
- Redemption price at 31/3
- Expect to revalue assets in line with cap rates
- Includes wind up cost provisions



## Cost Provisions

- 4% Sales commissions
- 1% Closing costs
- US redundancies
- Fees for finance pay out
- Wind up costs



## Redemption Details

### **If < \$5m in requests**

- Paid out in full in July

### **If >\$5m in requests**

- Scaled back and pro rata pay out
- Balance of units remain

### **As At 10 March 2023**

- 952,150 units (≈ \$1.1m at @\$1.15)





# Part 5

## What Happens From Here?



March 23	April	May	June
Redemption	Pay Redemption List GA deals Repay Finance	List Hamlin & 49CW N	Close GA deals

July	August	Sept
Gala Dinner Pay Distribution List Palmetto & 5760YQ	Close Hamlin & 49CWN	Close Palmetto & 5760 YQ

Oct	Nov	Dec
Pay Distribution	Wind up US Ops	



Jan 24	Feb	Mar
Pay Distribution	Wind Up Fund	

Apr	May	June
Pay Distribution	Wind Up Fund	Pay Distribution
		Wind up Fund



## Distributions

- Will include a mix of net rent, capital gains and return of capital
- You will also receive FITCs
- Return of capital with ↓ your AUS unit cost base
- Expect to pay capital gains tax





## At The End

- After the final distribution  
I expect your units will be cancelled for zero consideration
- Expect that will trigger a CGT event, with gain added to your taxable income



## Simple Example

- Sue has 100,000 units  
she paid \$100,000 for  
(cost base \$1 per unit)
- Between now and the end Sue  
receives distributions of \$130,000  
(\$30,000 foreign income; \$100,000 capital)



## Simple Example

- At the end Sue has 100,000 units with a cost base of \$0.
- Sue's units are cancelled for \$0 consideration.



## In Real Life

- Previous period returns of capital and deferred tax payments will have already reduced your cost base.
- Capital returns after your cost base gets to \$0 will be capital gains.



## Harder Example

- Sue has 100,000 units she paid \$100,000 for (cost base \$1 per unit)
- She has previously received \$20,000 of capital returns (cost base \$80,000)



## Harder Example

- Between now and the end Sue receives distributions of \$130,000 (\$30,000 income; \$100,000 capital)
- Sue has (foreign) income of \$30,000 and capital gains on disposal of her units of \$20,000.
- Sue's units are cancelled for \$0 consideration.





## **Part 6**

# **Strategic Opportunities (Growth & Income) Fund**

## **Disclaimer**

- This is not an invitation to invest.
- Before considering an investment you must read the PDS which will be issued in due course.

## **Disclaimer**

- Target returns are annual returns before tax and RE fees.
- Not earnings forecasts or guarantees.
- Past performance is not a guarantee of future performance.

## **Disclaimer**

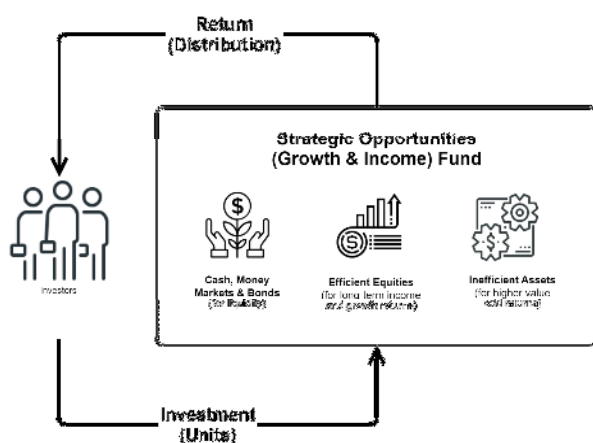
What we are about to discuss is subject to change as we finalise the PDS.

# SO(G&I)F

## Motivation

- Noble (for you)
- Selfish (for me)
- Altruistic (for us)

# SO(G&I)F



## **SO(G&I)F**

### **Cash, Money Market & Bonds**

- Store of wealth
- Ready to deploy capital
- Defensive role



## **SO(G&I)F**

### **Efficient Equities**

- Strategic managed funds
- Wholesale opportunities
- “Market Return”



## **SO(G&I)F**

### **Strategy**

- Cash for defence & liquidity
- Baseline “market returns”  
from strategic equities
- Strike skillfully when  
inefficient opportunities arise

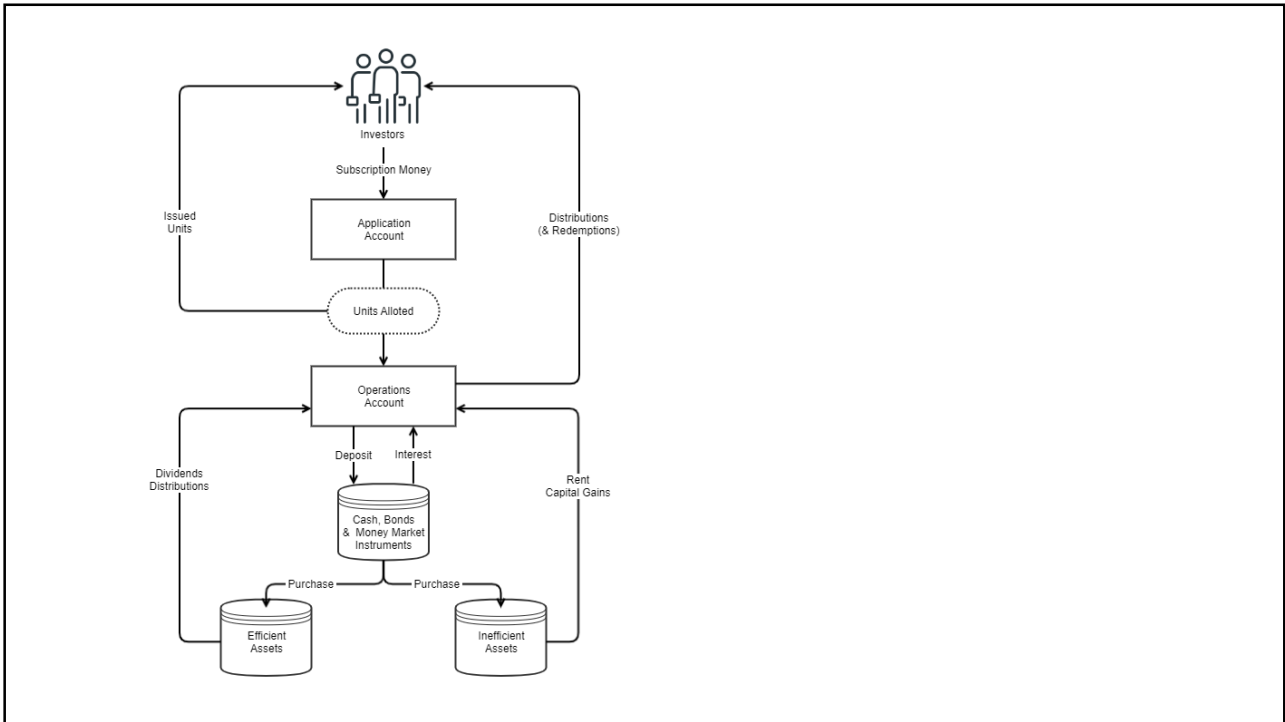
## **SO(G&I)F**

### **Inefficient Assets**

- Direct ownership, Unlisted  
property managed funds or  
mortgage backed securities
- Skill and expertise to value add







## SO(G&I)F

Asset Class	Asset Allocation %	Long-term target return
Cash, Bonds & MM Instruments	Up to 20%	RBA + 2%
Efficient Assets	15% to 60%	Up to 8%+ pa
Inefficient Assets	40% to 70%	Up to 10%+ pa

## **SO(G&I)F**

- 1/4ly income distributions
- Twice annual redemptions  
(after 1 Dec 2024)
- Medium to long-term  
investment horizon

## **SO(G&I)F**

- **No management fee**
- Monthly performance fee  
(Up to a quarter of performance  
earned with a benchmark that  
negative returns have to be recouped  
before a future performance fee is paid)

## **SO(G&I)F**

### **Other Important Fees**

- Contribution fee 2%
- Acquisition fee 1%\*
- Disposal fee 1%\*

\* Inefficient asset buy / sell price

## **US Fund Investors**

### **Contribution Fee Waived**

- New investments made before 30 June 2023; and
- Distributions elected to be 'reinvested' in SOGIF

## **SO(G&I)F**

### **Minimum Investment**

- Initial: \$10,000
- Nil if US Fund investor  
(provided \$10,000+ invested within 12 months)

## **SO(G&I)F**

### **Minimum Top Up Investment**

- Ad hoc: \$1,000
- AIP: \$250 per month

## SO(G&I)F

### Who Can Invest?

- Individuals (& Minors)
- Trusts (incl. SMSFs)
- Companies
- Partnerships

## SO(G&I)F

Finish off the PDS	31/3
Get it legal eagled	30/4
Build the Online Application Portal	30/4
Lodge with ASIC	1/5
<b>Open for investments</b>	<b>1/5</b>

## **SO(G&I)F**

### **Foundation Investors**

- US Fund investors get dibs
- \$40,000,000 initial subscription  
(will close thereafter until capital deployed)
- I expect to invest circa \$5m
- I expect it to be filled quickly

## **SO(G&I)F**

### **What To Do...**

- Get ready... structure
- Get ready... investment
- Read the PDS
- Apply asap when open

# Save The Date

**22nd July 2023**

## **Pullman Melbourne On The Park**

- Gala dinner
- Celebrate end of the US Fund
- Celebrate launch of the new Fund

