

Investment Policy

1.0 Investment objectives

The Company's objective is to provide investors with an investment in a diversified portfolio of New Zealand commercial property with a 'Core-Plus' investment strategy.

A Core-Plus investment strategy is a moderate-risk/moderate-return strategy, targeting higher overall returns than available from investment in low risk premium assets in CBD areas of main centres. Utilising a Core-Plus investment strategy, the Company's objective is to receive a commensurately higher investment return by taking on comparatively more risk, whilst still generating stable commercial property returns.

The Company will invest in a nationwide diversified portfolio of properties, spread across the main centres of Auckland, Wellington and Christchurch, with selected provincial exposures.

The Company will target superior, risk-adjusted returns, in keeping with its 'Core-Plus' investment strategy, through the:

- > careful selection of assets that are higher-yielding or have the potential to be high yielding
- > astute judgement of risks
- > application of intense asset management, and
- > avoidance of hotly contested, lower yielding, premium assets typically targeted by risk-averse investors.

The Company's investment goal is to deliver long-term total returns greater than 10% per annum while maintaining a strong balance sheet with a long-run average debt to total assets ratio of approximately 35%.

The Company will invest in assets (and recycle capital out of existing assets) based on sectors, locations and exposures that are attractive based on property, demographic, business or economic trends and which, as a portfolio, diversify risk across multiple sectors, regional economies and tenants.

The Company will adopt an active management philosophy encompassing asset and financial management, strategic investments, acquisitions and divestments and the judicious development of new and existing assets.

2.0 Authorised investments

Authorised investments include any commercial property located in New Zealand's main centres of Auckland, Wellington and Christchurch, with selected provincial exposures. An investment may be legal or equitable, freehold, leasehold or some other tenure in or in relation to any or all of:

- (a) Real estate of every description (including any interest or estate therein) whether improved or unimproved and all improvements standing on land including (without limitation) buildings, fixtures, fittings, plant, equipment and furnishings
- (b) Cash

- (c) Mortgages of or other security interests in any real estate (or any interest therein) which are incidental to the assets of the Company and appropriate for the Company to acquire, hold or deal with
- (d) Any share, security or like interest where 90% of the underlying assets consist of real estate or the interest relates to the Company's financing or asset holding arrangements, provided that investments of this type must be approved by the Board
- (e) Deposits with or loans to (with or without security) a registered bank or, if not a registered bank, to a person approved by the Board
- (f) Debentures, bills of exchange, bonds, notes, debt securities or similar obligations (with or without security) issued, made, drawn or accepted by a registered bank and approved by the Board
- (g) Any right or option to buy any of the above
- (h) Any other investment, right, interest or property of any nature whatsoever, nominated by the Company's Manager and approved by the Board.

3.0 Active management

The Company will employ an active asset management approach to optimise the income and investment performance of its assets. This includes:

- > adding value through remixes, refurbishments and physical improvements
- > utilising innovative marketing, operating, or leasing strategies;
- > maintaining strong tenant relationships, proactively dealing with vacancy risk and negotiating new leases and rent reviews to optimise income performance

4.0 Strategic acquisitions and divestments

In keeping with its 'Core-Plus' investment strategy, the Company considers strategic acquisitions and divestments that have the potential to enhance returns for investors and/or provide superior growth opportunities.

The Company's portfolio is continually reviewed to ensure that assets fit within its 'Core-Plus' investment strategy, and are divested if necessary. With every existing asset, potential acquisition or divestment, the Company looks at:

- > maximising returns from rental income and achieving capital growth
- > managing risks with the objective of receiving a commensurately higher investment return
- > the potential for superior growth and added-value opportunities, and
- > the further diversification of the investment portfolio by tenant, sector and geographical location.

5.0 Development activity

The refurbishment and/or redevelopment of existing assets is essential to investment performance.

The judicious development of new assets will be undertaken where opportunities arise to enhance returns to investors, acknowledging that it is often not possible or feasible to purchase these assets directly.

Before undertaking any refurbishment, expansion or development proposal, the Company will carefully evaluate identified risks associated with that particular project, and then plan and implement mitigation measures designed to manage those risks within acceptable levels.

The quantum of development undertaken at any one time will depend on numerous factors, including, but not limited to, the risks associated with the particular development, the rate of return on the investment, the availability of resources and funding capacity.

6.0 Active financial and capital management

Active financial and capital management will ensure that the Company's income, expenses and financial position are managed to optimise returns to investors. This includes:

- > efficiently utilising rental cash flows
- > actively managing the Company's debt and exposure to interest rate volatility through a disciplined debt and hedging strategy that ensures an ongoing spread of maturities, maximises the term of renewal, and achieves an appropriate mix of fixed-rate and short-term floating-rate debt to meet the Company's cash flow requirements
- > ensuring that borrowings are used prudently, minimising interest costs, while at the same time making appropriate decisions about the trade-off between the cost and availability of debt funding and the potential return from investment opportunities, and
- > careful consideration of any requirement for new equity taking into account the prospective return from investment opportunities.

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Policy approver:	Board and Manager