



ResiFund

ACN 154 921 730

Gearing policy

Adopted with effect from : 10th December 2018

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Company Open Corp Funds Management Ltd ACN 154 921 730 trading as ResiFund of

2/2 Brandon Park Drive, Wheelers Hill, Victoria, 3150.

(ResiFund)

- Introduction**
- A. As the responsible entity of unlisted property schemes, ResiFund is required to comply with the Australian Securities and Investments Commission's *Regulatory Guide 46 Unlisted property schemes: Improving disclosure for retail investors* (RG 46) dated March 2012.
 - B. RG 46 requires ResiFund to maintain and comply with a written policy that governs the level of gearing at an individual credit facility level.
 - C. This policy describes ResiFund's approach to gearing.
 - D. The terms of this policy follow.
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1. Purpose and scope

- (a) This policy applies to the Australian Residential Property Fund of which Open Corp Funds Management Ltd is the responsible entity (the Scheme).
- (b) The purpose of this policy is to:
- (i) Govern the level of gearing of the Scheme at an individual credit facility level.
 - (ii) Convey to investors that ResiFund will monitor and manage the gearing levels of the individual credit facilities of the Scheme in accordance with this policy.

2. Gearing ratio calculation

- (a) A Scheme's gearing ratio is calculated as follows:

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

Where:

- Total Assets is defined as the total "Gross Realisable Value" for any stage of works or individual property under construction plus the Capital Improved Value of any balance land that is outside of the stage of construction works
- Gross Realisable Value is the GST exclusive value of lots/houses etc. and
- Capital Improved Value is calculated as the value of the Balance Parcel as determined by an independent valuer plus any capital improvements recorded at their actual cost and amortised across the undeveloped portion of the land since the date of the valuation of the Balance Parcel.

- (b) The gearing ratio of an individual credit facility entering into by a Scheme is calculated as follows:

$$\text{Gearing ratio} = \frac{\text{Total amount of the credit facility}}{\text{Total Assets secured by the credit facility}}$$

Where:

- Total Assets is defined as the total "Gross Realisable Value" for any stage of works or individual property under construction plus the Capital Improved Value of any balance land that is outside of the stage of construction works
- Gross Realisable Value is the GST exclusive value of lots/houses etc; and
- Capital Improved Value is calculated as the value of the Balance Parcel as determined by an independent valuer plus any capital improvements recorded at their actual cost and amortised across the undeveloped portion of the land since the date of the valuation of the Balance Parcel.

- (c) ResiFund will use the latest audited financial statements to calculate the gearing ratio of the Scheme, except where it is aware of material changes since those statements.

3. Maximum gearing ratios

- (a) The debt component will be limited to 50% of total assets overall. Debt may be above 50% during the construction of any property but is likely to be below 50% once the property is complete and income generating. Once the Fund reaches a sufficient critical mass we will look to secure a debt facility to more easily allow for monies to be borrowed and for interest rates to be fully or partially fixed with longer term debt facilities and staggered maturity dates.
- (b) Borrowings are likely to be lower for Single Family Homes than they may be for Multi Tenancy Properties, where the interest cover ratio on an individual property basis is generally higher. Gearing will be targeted to be no more than 50% of the total asset value of the Fund
- (c) We cannot calculate an interest cover ratio because the Fund's earnings will in part be dependent on completion of construction of new dwellings or buildings. Typically the lender will allow interest to capitalise and be paid through a refinancing arrangement once the property is tenanted, or from settlement proceeds if the property is sold. When a building is completed and tenanted, we will subsequently maintain an interest cover ratio of 1.5 times.

4. Monitoring and management

- (a) ResiFund will calculate the gearing ratio of each individual credit facility at the commencement and conclusion of each stage of works or individual property, or otherwise bi-annually to ensure each credit facility complies with ResiFund's gearing policy.
- (b) If the gearing ratio of any individual credit facility does not comply with the Funds target gearing ratio (refer section 3) then, within a reasonable period of time, ResiFund will take action to ensure the individual credit facility complies with this gearing policy.

5. Contact

Any questions may be directed to Matthew Lewison as follows:

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