

ResiFund

ACN 154 921 730

Gearing policy

Adopted with effect from: 10th December 2018

Date	This Policy was adopted with effect from 10th December 2018 and amended as per Section 6.
Company	Open Corp Funds Management Ltd ACN 154 921 730 trading as ResiFund of 2/2 Brandon Park Drive, Wheelers Hill, Victoria, 3150.
Introduction	<p>A. As the responsible entity of unlisted property schemes, ResiFund is required to comply with the Australian Securities and Investments Commission's <i>Regulatory Guide 46 Unlisted property schemes: Improving disclosure for retail investors</i> (RG 46) dated March 2012.</p> <p>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.</p> <p>C. This policy describes ResiFund's approach to gearing.</p> <p>D. The terms of this policy follow.</p>

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 Fund will buy and hold established properties, as well as build new properties, for the purpose of owning and leasing residential properties to generate income over the medium to long term, with also the potential for capital growth;
- (c) The purpose of this policy is to:
 - (i) Govern the level of gearing of the Scheme at a Fund and individual credit facility level.
 - (ii) Convey to investors that ResiFund will monitor and manage the gearing levels at the overall ResiFund level, as well as for 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 land and improvements which may include an existing building or property under construction, including any associated costs.
- Gross Realisable Value is the GST exclusive value of lots/houses etc.
- Established properties will be valued regularly based on independent valuations to establish their Total Asset Value. Following an Independent Valuation, any subsequent physical improvements are capitalised into the value of the property and included as Total Assets up to the point of the next valuation.
- Where land is acquired and a property is constructed, the Responsible Entity will initially seek, prior to construction commencing, an Independent Valuation based on an "as if complete basis" to support the proposal and anticipated gearing levels. Where a building is being constructed, total assets will include at any point in time, the land value, current capital expenditure and any associated costs, during the phase of construction.

The Directors will adopt these respective Total Assets Values for the purpose of gearing.

- (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 land and improvements which may include an existing building or property under construction, including any associated costs.
- Gross Realisable Value is the GST exclusive value of lots/houses etc.
- Established properties will be valued regularly based on independent valuations to establish their Total Asset Value. Following an Independent Valuation, any subsequent physical improvements are capitalised into the value of the property and included as Total Assets up to the point of the next valuation.
- Where land is acquired and a property is constructed, the Responsible Entity will initially seek, prior to construction commencing, an Independent Valuation based on an “as if complete basis” to support the proposal and anticipated gearing levels. Where a building is being constructed, total assets will include at any point in time, the land value, current capital expenditure and any associated costs, during the phase of construction.

The Directors will adopt these respective Total Assets Values for the purpose of gearing.

- (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 targeted 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 covering a portfolio of the Fund’s assets 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 of acquisition for established properties and or conclusion where a property is being constructed, 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:

Phone: 1300 999 881

Postal address: ResiFund
PO Box 5266
BRANDON PARK VIC 3150

6. Amendments

The below dates provide a description of previous amendments:

17 September 2019 Expand policy to include properties acquired or held for income purposes and not under construction.