



^Actual gross cash return for the quarter ending 30 September 2023 (annualised gross distribution in cents per unit expressed as a percentage of the board approved unit price at the end of the quarter). Other metrics are stated as at 30 September 2023. \*See below and overleaf for more information.

## OVERVIEW

For the quarter ending 30 September 2023 the Fund maintained its regular income to investors at a reduced gross distribution of 4.25 cents per unit (cpu) per annum, paid monthly – equating to a 4.25% yield on the approved unit price at the end of the quarter.

Following Ministry of Education (MOE) license approval for the new operator at the Gulf Harbour Property, we are delighted that Gulf Harbour Montessori has commenced their new 15 year lease in October 2023. As a result of this additional income, the Fund's distributions are expected to increase to at least 4.50 cpu per annum in December 2023.

Further to this, the MOE has given network planning approval associated with the new operator at the Invercargill Property, enabling the final stages of MOE license approval for this property to commence. This lease is now expected to commence early in the new year (conditional only on the issuance of the MOE license).

## NOTABLE ACTIVITY

**Regular income\*:** Lease commencement at the Gulf Harbour Property will not only increase the Fund's income, but further increase the Fund's WALT, occupancy levels, and diversity of income. With the inclusion of the conditional lease agreement at the Invercargill Property, the Fund's occupancy is expected to rise to 93%, with a total of 11 tenants.

**Long-term value:** Following a tenant business sale associated with the Pukekohe Property, the Fund welcomed new operator Wild & Love during the quarter, extending the lease at the property to the year 2041.

**Diversification:** As part of the Fund's strategy to increase resilience through diversification, the Fund has entered an unconditional agreement to acquire a recently built centre in Takanini, Auckland. The opportunity will bring a very experienced operator with a strong balance sheet into the Fund's tenant covenant mix, while retaining relatively conservative levels of borrowing.

## OUTLOOK

With the Official Cash Rate (OCR) remaining at 5.50%, maintenance of conservative borrowing levels and a sound interest rate hedging policy has materially reduced the impact of higher for longer interest rates on the Fund's distributable income. The impact of the unprecedented rise in the OCR as a result has yet to be fully felt by the Fund.

With positive leasing activity and a planned acquisition next quarter, diversity by property, location and tenant in the portfolio continues to grow. The Fund continues to remain a strong position to deliver on its strategic objectives over the long-term.

Despite the economic environment, which we may see further commercial property valuation pressures, we are delighted that the Fund's distributions are expected to rise next quarter, and expect to further increase distributions in the new year.

## FUND STRATEGY

To hold and grow a portfolio of Early Childhood Education (ECE) properties, diversified by region and tenant, to achieve greater resilience of income with scale.

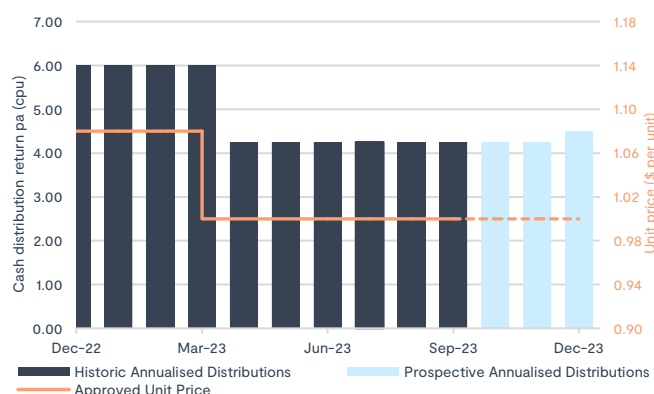
## GOAL

To create long-term sustainable value for our investors and the best start for the children in our communities, through the provision of quality, fit-for-purpose ECE centres across New Zealand.

## FINANCIAL SNAPSHOT

Fund unit value (last updated as at 31 March 2023)	\$1.00
Cash distribution Jul – Sep 2023 (annualised)	4.25 cpu
Forecast cash distribution Oct – Nov 2023 (annualised)	4.25 cpu
Forecast cash distribution Dec 2023 (annualised)	4.50 cpu
Forecast monthly cash distribution per 100,000 units	\$354.17 to \$375.00

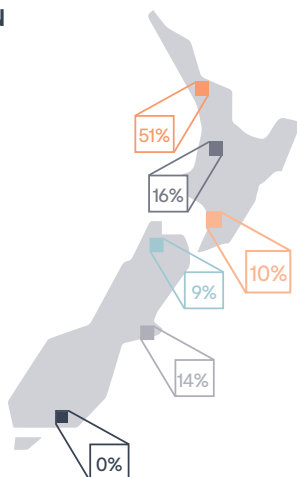
## GROSS CASH RETURN AND UNIT PRICE



## PORTFOLIO RENTAL INCOME DIVERSIFICATION

### BY PROPERTY REGION

Auckland	51%*
Hamilton	16%
Wellington	10%
Blenheim	9%
Christchurch	14%
Invercargill	0%*



\* Rental income from Invercargill and Auckland is temporarily reduced due to the vacancy at the Gulf Harbour Property (lease commencement October 2023) and the Invercargill Property (conditional lease in place).

## PORTFOLIO OVERVIEW AS AT 30 SEPTEMBER 2023

Property	Valuation	Occupancy	Anchor Tenant	Lease Expiry
Flat Bush Property, Auckland	\$7,225,000	70%^	Provincial Education Group	Sep-2034
Dinsdale Property, Hamilton	\$6,500,000	100%	Little Learners (plus gym tenant)	Feb-2032
Glen Innes Property, Auckland	\$6,175,000	100%	Childsteps Early Learning Centre	Oct-2035
Rolleston Property, Christchurch	\$5,750,000	100%	Education Hub	Dec-2033
Upper Hutt Property, Wellington	\$5,000,000	100%	Conscious Education	Jan-2038
Red Beach Property, Auckland	\$4,850,000	100%	Nurture Early Learning	Feb-2034
Gulf Harbour Property, Auckland	\$4,825,000	0%→100%^	Vacant^ (Gulf Harbour Montessori secured)	N/A^ (Oct-2038)
Pukekohe Property, Auckland	\$4,200,000	100%	Wild & Love	Aug-2041
Blenheim Property, Auckland	\$3,600,000	100%	Omakā Early Learning Centre	Apr-2034
Invercargill Property, Invercargill	\$2,850,000	0%-100%^	Vacant^ (tenant secured)	N/A^ (TBC)
<b>TOTAL</b>	<b>\$50,975,000</b>	<b>80%→93%^</b>		

^ The Gulf Harbour Property is 100% occupied from October 2023. The Invercargill Property is subject to an Agreement to Lease, commencement date conditional on the issuance of a MOE license for the centre. When this lease is unconditional, the centre will be 100% occupied and the Fund's occupancy will rise to 93%. Office space at the Flat Bush Property remains vacant, with current leasing interest subject to negotiation.

## Investor Relationships Team and Secondary Market

While secondary market activity in the current economic environment has slowed, units and shares are available to purchase, and we continue to be proactive in matching interested buyers and sellers of shares and units in our funds.

For those who take a long-term view when investing in commercial property and believe there is never a better time to invest than yesterday, if you are interested in buying shares or units in any of our funds, please get in touch with our Investor Relationships Team today.



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