

Distribution policy

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Distribution policy

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Distribution policy

1 Objectives

The purpose of this document is to explain how Newmark Capital Limited (**Newmark Capital**) calculates and pays distributions to investors. This document has been prepared in accordance with the Corporations Act 2001 and Disclosure Principle 6: Distribution practices described in ASIC Regulatory Guide 46 (Unlisted property schemes: Improving disclosure for retail investors).

The key objective of this policy is to make investors aware of Newmark Capital's distribution practices, so that they can assess the sources of distributions and form realistic expectation about the sustainability of distributions.

2 Scope

This policy details how Newmark Capital:

- (a) may exercise its discretion to determine and vary distributions;
- (b) calculates the distributable amount after it exercises its discretion; and
- (c) determines the distribution amount payable to investors in the relevant fund.

If there is an inconsistency between this policy and the relevant fund's constitution, then the relevant constitution shall prevail to the extent of the inconsistency.

This policy may change from time to time and Newmark Capital will ensure the policy available on the Newmark Capital website (www.newmarkcapital.com.au) is updated from time to time and an up-to-date policy be made available upon request.

3 Funds

This policy applies to the Newmark Hardware Property Trust No. 1 ARSN 161 274 111, the Newmark Como Property Trust ARSN 616 371 665 and any other registered schemes that Newmark Capital operates from time to time.

4 Distribution

Distributions are calculated in accordance with the relevant fund's constitution. Generally, Newmark Capital only pays distributions from operating income and may retain some cash for liquidity purposes. However, Newmark may pay distributions from other sources if the particular circumstance of the fund are such that Newmark Capital determines that it is in the best interests of investors (for example if rental income is reduced due to reconfiguration) and where payment from that source is expected to be sustainable given the relevant circumstances. Other sources will generally include debt or a deferral of management fees. Newmark Capital does not intend to pay any distributions from borrowings nor from unrealised valuation gains. The distributable amount is generally based broadly on the following formula:

***Distributable Amount = Net Operating Income - Contingencies for Future Expenditure
+/- Any Other Amount***

Net Operating Income refers to the relevant fund's net profit after operating expenses have been deducted as calculated and prepared in accordance with the fund's constitution, Australian Accounting Standards and the *Corporations Act 2001* (Cth).

Operating income will generally comprise:

- (a) rental income and outgoings recovery from direct property investments;
- (b) amortisation of tenant incentives and leasing costs;
- (c) distributions from investments in other property funds

less:

- (d) direct property expenses;
- (e) fund expenses;
- (f) interest and amortisation of borrowing costs;
- (g) management fees;
- (h) performance fees;

Exclusions from net operating income would generally comprise:

- (a) income from straight-lining of rent for future fixed rental increases;
- (b) change in fair value of derivatives used to hedge interest rate or currency risk;
- (c) change in fair value of investments and directly held property;
- (d) gain or loss on disposal of investments.

Contingencies for Future Expenditure refers to any other allowances the Newmark Capital Board in its discretion believes should be held to allow for contingencies or future expenses that will or may arise in respect of the relevant fund.

For example, these may include but are not limited to:

- (a) lease incentives paid as cash or fit-out;
- (b) other costs associated with leasing vacant space;
- (c) refinancing costs;
- (d) derivative restructuring costs;
- (e) tax obligations;
- (f) approved capital expenditure programs;
- (g) compliance with Debt Facility Covenants.

Any Other Amount refers to any other amount the Newmark Capital Board in its discretion believes should be included or withheld in the best interest of Investors.

For example, these may include but are not limited to:

- (a) net proceeds from asset sales;
- (b) income or expenses of an unusual amount or nature that would otherwise unreasonably affect distributions in a particular distribution period;
- (c) an amount taking into consideration the relevant Fund's taxable income position so that Investors receive a present entitlement to income and cash to meet income tax obligations.

5 Distribution amount and entitlement

Each investor's distribution entitlement is generally calculated using the following equation:

$$\text{Unitholder Distribution Entitlement} = \frac{\text{Distribution Amount}}{\text{Total Units on Issue}} \times \text{Number of Units held by the Investor}$$

Distribution entitlements will always be subject to the provisions of the constitution of the relevant fund, including with respect to record dates and entitlements to distributions when units are acquired or disposed of part way through a distribution period.

6 Risks affecting distributions

Investors should be aware that all investments involve a degree of risk and there are many factors that can impact the performance of their investment. There may be circumstances when distributions are:

- (a) significantly different (higher or lower) than the previous distribution;
- (b) suspended for a period of time (i.e. no distributions are paid);
- (c) different to Newmark Capital's expectations, forecasts (if any) or guidance.

These circumstances may arise when:

- (a) there is a material adverse event affecting the relevant scheme which reduces realised income or operating cashflow;
- (b) financial covenants such as the interest cover or loan to value ratio have exceeded their thresholds;
- (c) the relevant fund realises a gain or loss from the sale of an asset.

7 Payment of distribution

Distributions are generally paid quarterly. Newmark Capital pays distributions directly into the Investor's nominated bank account. Newmark Capital will withhold amounts as required

by law when the tax file number has not been provided. Distributions will generally be paid within six weeks of the end of each distribution period.

8 Investor Information

Newmark Capital will ensure investors are updated on any material changes to distributions through ongoing disclosure. Newmark Capital will update investors about distributions on Newmark Capital's website at www.newmarkcapital.com.au.

Investors will be:

- (a) informed of distribution amounts declared by Newmark Capital's Board; and
- (b) if Newmark Capital knows that distributions will be materially different (higher or lower) than the previous distribution, provided, with an explanation of this difference.

9 Responsibilities

9.1 Newmark Capital Board

The Newmark Capital Board has responsibility for the oversight of distributions. The Board is responsible for exercising its discretion in relation to distribution and then approving the declaration of distributions tabled to the Board for each respective period. The Board is also responsible for approving any amendments to this policy.

9.2 Funds Management

Each Fund Manager is responsible for calculating and approving the distributable amount for the scheme they manage. Fund Managers are responsible for providing sign-off to the Board that the distributable amount complies with the relevant fund's constitution and this policy.

9.3 Finance

Newmark Capital's CFO is responsible for ensuring calculations are in accordance with Australian Accounting Standards and the Corporations Act 2001, as well as ensuring future cashflow and the ability to fund proposed distributions.

10 Review of this Policy

This policy will be reviewed at least annually.