

# Product Disclosure Statement Update

## NEWMARK HARDWARE TRUST (ARSN 161 274 111)

1 October 2020

Newmark Capital Limited (ACN 126 526 690, AFS Licence No. 319372) ('**Newmark Capital**') in its capacity as the responsible entity of the Newmark Hardware Trust ('**Trust**') issued a Product Disclosure Statement ('**PDS**') for the Trust dated 15 February 2019. Newmark Capital may update the information in the PDS by notification on its website at [www.newmarkcapital.com.au/funds/newmark-hardware-trust](http://www.newmarkcapital.com.au/funds/newmark-hardware-trust) if the updates do not comprise materially adverse information ('**Website Update**'). Website Updates were issued on 29 May 2019 and 18 July 2019.

Potential investors should read the PDS and all updates in their entirety before applying to invest in the Trust.

The below information updates certain information contained in the PDS relating to the benchmark and disclosure principles in ASIC's *'Regulatory Guide 46: Unlisted property schemes: Improving disclosure for retail investors'* ('**RG 46**') and various aspects relating to the Warragul Property, property valuations and the debt facility. Where relevant, the table should be read in conjunction with the corresponding sections of the PDS, as updated. The defined terms have the same meaning as the PDS unless otherwise stated.

### Updated information

Topic	Updated information	Reference in PDS
WALE	<p>The weighted average lease expiry ('<b>WALE</b>') for the property portfolio in the Trust is 7.87 years (by income) and 8.15 years (by area) as at 30 June 2020. The WALEs by income for each property are as follows:</p> <ul style="list-style-type: none"> <li>• Launceston 5.5 years</li> <li>• Maroochydore 6.7 years</li> <li>• Lake Haven 10.9 years</li> <li>• Warragul 9.3 years</li> </ul> <p>The WALE is an indicator of the risk of lease expiries. It is weighted by income or area allowing for differing tenant sizes and rental rates. The higher the WALE the lower the risk of immediate lease expiries and potential re-leasing costs.</p>	Letter to Investors (page 6), section 3.5 (page 16), section 5.5 (page 25)
Gearing ratio	A trust's gearing ratio indicates the extent to which the trust's assets are funded by external liabilities. The Trust's gearing ratio on a look through basis was approximately 44% as at 31 December 2019, based on the latest auditor-reviewed accounts. The Trust's gearing ratio on a look through basis was approximately 49% as at 30 June 2020 based on the Trust's latest unaudited financial statements.	section 2.1 (page 12), section 5.6.1 (page 34)
Interest cover ratio	An interest cover ratio gives an indication of a trust's ability to meet interest payments from earnings. The interest cover ratio for the Trust on a look through basis was 3.04 times as at 31 December 2019, based on the latest auditor-reviewed accounts. The Trust's interest cover ratio (' <b>ICR</b> ') on a look through basis was 3.08 times as at 30 June 2020 based on the Trust's latest unaudited financial statements.	section 2.1 (page 12), section 5.6.1 (page 34)

<b>ASIC benchmarks</b>	As at the date of this Website Update, Newmark Capital meets all of the six ASIC benchmarks for unlisted property funds in respect of the Trust.						section 2.2 (page 13), section 5.6.1 (page 35)
<b>Development assets</b>	As at the date of this Website Update, the Trust has no assets under development on an 'as if complete' valuation basis, per RG 46. Previously, this was 26% as at May 2019.						section 5.2 (page 22)
<b>Valuations as at August 2020</b>	<b>Property</b>	<b>Valuation</b>	<b>Valuer<sup>1</sup></b>	<b>Capitalisation rate</b>	<b>Book value as at 30 June 2020</b>	<b>% of portfolio<sup>2</sup></b>	section 5.5 (page 24)
	Launceston	\$54.00m	Savills	5.7%	\$54.00m	24.9%	
	Maroochydore	\$63.50m	Savills	5.3%	\$63.50m	29.3%	
	Lake Haven	\$46.50m	Savills	5.0%	\$46.50m	21.4%	
	Warragul	\$53.00m	Savills	6.0%	\$53.00m	24.4%	
	<sup>1</sup> All valuers are independent <sup>2</sup> By value						
<b>Top 4 tenants</b>	<b>Tenant</b>	<b>% income as at 30 June 2020</b>			<b>Area</b>		section 5.5 (page 25)
	1 Bunnings	75%			65,313m <sup>2</sup>		
	2 Kmart	11%			6,485m <sup>2</sup>		
	3 Officeworks	3%			1,714m <sup>2</sup>		
	4 Petstock	3%			1,539m <sup>2</sup>		
<b>Warragul Property</b>	<p>The construction of the Warragul Property was completed in May 2020. Therefore the construction/development risk described in section 4.3 of the PDS is no longer current.</p> <p>Following the completion of a site survey, the site area for the Warragul Property is 25,515m<sup>2</sup> and the Bunnings lettable area (GLA) is 14,205m<sup>2</sup>.</p> <p>The major tenants are Bunnings, Kmart, Petstock, Reject Shop, Repco and My Car and the property has an occupancy by income of 85%. Bunnings and Kmart's initial lease terms of 10 years commenced in May 2020.</p>						section 4 (page 18), Trust structure diagram (page 23), section 5.5 (page 24), section 5.5.4 (page 32)



<b>Debt facility</b>	<p>Newmark Capital has entered into a syndicated debt facility for \$117.0 million which will mature on 24 September 2023 (<b>Facility</b>). The aggregate amount owing under the Facility as at the date of this Website Update is \$117.0 million.</p> <p>The loan to the Trust has been secured by a mortgage over each of the Trust's properties as well as the Warragul Property (an asset of the wholly-owned Newmark Hardware Property Trust No. 2), and a general security interest over the assets of the Trust.</p>	<p>section 5.6.2 (page 35), section 5.6.3 (page 36)</p>
<p>A summary of the Facility has been set out below:</p>		
<p>Term</p>		
Aggregate drawn amount	\$117.0 million	
Aggregate undrawn amount	Nil	
Assets to which the facility relates	Launceston, Maroochydore, Lake Haven and Warragul properties	
Maturity profile in 12 month increments	100% maturing 24 September 2023	
Interest rate	2.03% (1.90% margin + BBSY 0.13%)	
Interest cover ratio	2.0 times	
Loan to valuation ratio covenant	55%	
Is the facility hedged?	No (ability to hedge in future)	
Amount (expressed as a %) by which the property value will need to fall by before the LVR covenant is breached (based on 30 June 2020 book values)	2%	
<b>Auditor of the Trust</b>	ShineWing Australia	section 13 (page 102)



**How to contact us**

If you have any questions, please contact Newmark Capital on 03 03 9066 3966. A paper copy of the updated information is also available free of charge by contacting us.

**Important information**

The information in this Website Update has been prepared by Newmark Capital Limited ACN 126 526 690, AFSL 319372 ('**Newmark Capital**') as responsible entity and issuer of Units in the Newmark Hardware Trust ARSN 161 274 111 ('**Trust**').

The information in this Website Update is general information only. It does not constitute any recommendation or advice and has been prepared without taking into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. You should consider obtaining independent advice from a professional financial adviser before making any financial decisions in relation to the matters disclosed in the Website Update.

All statements of opinion and/or belief in this Website Update, and all views expressed and any projections, forecasts or statements relating to expectations regarding future events or possible future performance of the Trust, represent Newmark Capital's assessment and interpretation of information available as at the date of this Website Update. No representation is made or assurance given that such statements, views, projections or forecasts are reasonable or correct or that the objectives or prospective returns of the Trust will be achieved. Eligible Unitholders must determine for themselves what reliance (if any) they should place on such statements, views, projections or forecasts and no responsibility is accepted by the Newmark Property Group.

