

Target Market Determinations – RAM Essential Services Property Fund

Legal Disclaimer:

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). It sets out the class of consumers for whom the RAM Essential Services Property Fund (the **Fund**), including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. In addition, the TMD outlines the triggers to review the target market and certain other information. It forms part of RAM Property Funds Management Ltd (ABN 28 629 968 163; AFSL 514484) design and distribution arrangements for the Fund.

This document is not a product disclosure statement and is not a summary of the Fund's features or terms of the product. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the Product Disclosure Statement (**PDS**) for the Fund before making a decision whether to invest in this Fund.

Product	Stapled securities (Securities) in RAM Essential Services Property Fund, each comprising a fully paid ordinary unit in RAM Australia Retail Property Fund (ARSN 634 136 682) stapled to a fully paid ordinary unit in RAM Australia Medical Property Fund (ARSN 645 964 601)
Issuer	RAM Property Funds Management Ltd (ABN 28 629 968 163; AFSL 514484)
Date of TMD	5 October 2021
Target Market	<p>Description of target market</p> <p>The RAM Essential Services Property Fund (the Fund) is a stapled entity comprising two Australian Real Estate Investment Trusts which are intended to be listed on the ASX upon completion of the Offer (as defined below) that will own a diversified portfolio of high quality Australian medical and essential retail real estate assets, underpinned by essential services tenants. The Fund will provide a secure and reliable income stream from a Portfolio of assets that are defensive in nature.</p> <p>In relation to the Target Market of this Fund, the initial distribution and offer of Securities in the Fund is available to investors and resident retail clients in Australia and New Zealand, as well as investors in certain other jurisdictions as agreed between the Responsible Entity and the Joint Lead Managers. The initial offer of Securities to the public comprises:</p> <ul style="list-style-type: none">• an Institutional Offer, which is open to Institutional Investors in Australia, New Zealand and certain other jurisdictions as agreed between the Responsible Entity and the Joint Lead Managers (the "Institutional Offer"); and• an offer open to Australian and New Zealand resident retail clients of participating Brokers through the Broker Firm Offer (the "Broker Firm Offer"). <p>(Collectively "the Offer")</p> <p>Description of product, including key attributes</p> <p>The Fund will initially own a portfolio (Portfolio) of 33 properties independently valued at \$706.3 million with a WACR of 5.85% a WALE of 7.1 years and 99.1% occupancy. The Portfolio will be diversified by geography and is underpinned by a high-quality tenant profile including leading national supermarkets and private hospital operators and offers growth opportunities through significant value-add development potential. The Fund's current development pipeline includes over \$100 million of planned capital expenditure across 13 projects, scheduled for completion within the next three to four years (from PDS Date). The Fund currently has six projects underway.</p> <p>The key Offer statistics at Allotment are set out below:</p> <ul style="list-style-type: none">• ASX Ticker code is REP;• Offer price per security is \$1.00;• Offer size is \$356.9 million;• Number of Securities to be issued under the Offer is 356.9 million;• Total number of Securities on issue following Allotment is 521.1 million;

- Market capitalisation at the Offer Price is \$521.1 million;
- Forecast FY22 annualised FFO Yield per Security (based on the Offer Price) is 5.9%;
- Forecast FY22 annualised Distribution Yield per Security (based on the Offer Price) is 5.7%;
- Tax treatment of FY22 Distribution is Greater than 95% tax deferred;
- Net Tangible Assets (“NTA”) per Security is \$0.94;
- Offer Price premium to NTA per Security is 6.1%;
- Gearing on Completion is 30.4%.
- For Applicants under the Broker Firm Offer, the minimum Application amount is \$2,000 and in increments of at least \$500 thereafter;
- Applicants under the Institutional Offer will be provided further information regarding the Institutional Offer from the Joint Lead Managers.
 - There is no maximum Application amount; however, you may be subject to scale-back.

The key Portfolio statistics at Allotment are set out below:

- Number of Properties is 33;
- Independent Valuation is \$706.3 million;
- Weighted Average Capitalisation Rate (“WACR”) is 5.85%;
- Gross Lettable Area (“GLA”) is 126,122 sqm;
- Occupancy is 99.1%;
- Weighted Average Lease Expiry (“WALE”) is 7.1 years;
- Proportion of income subject to annual rental increases is 85.0%; and
- Weighted Average Rental Review (“WARR”) is 2.2%.

A complete list of the risks associated with an investment in the Fund can be found in Section 7 of the PDS. The key risks include, but are not limited to:

- Rental income and expenses risk;
- Property valuation risk;
- Re-leasing and vacancy risk;
- Property illiquidity;
- Competition from other property groups active in Australia; and
- Covid-19 Impact.

The fees and charges that apply to the Fund are set out below:

- Note: All the costs and fees payable to the Managers under the Management Agreements will be paid out of the assets of the Fund. The Investment Manager is entitled to an Investment Management Fee and Acquisition Fee and the Property Manager is entitled to a Property Management Fee, Leasing Fee and Development Management Fee
- No brokerage, commission or stamp duty is payable by Applicants who apply for Securities using an Application Form;
- Investors who buy or sell Securities on ASX may be subject to brokerage and other transaction costs. Transfers of Securities on ASX should not attract any Australian stamp duty. Securityholders should confirm the stamp duty consequences of dealing with their Securities with their taxation adviser.

Description of likely objectives, financial situation and needs of consumers in the target market

The likely objective’s , financial situation and needs of consumers in the target market would be to achieve stable and secure income with the potential for both income and capital growth through an exposure to a high quality, defensive portfolio of assets with favourable sector trends. They would be looking for a Fund that will be actively managed to grow its Portfolio through investments across medical and essential retail assets. They would want a Fund that will focus on assets that are predominantly leased to tenants with strong covenants on long-term leases. They would want an active Fund manager, including through acquiring and divesting assets in line with the Fund’s investment objectives to maintain and enhance the quality of the Portfolio.

Classes of consumers for whom the product is clearly unsuitable

Applicants who are not suitable to make investments in relation to the Fund include:

- Inexperienced investors; and

- Individuals looking for immediate returns.

Explanation of why the product is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market

The Fund is likely to achieve its objectives, as well as be consistent with the likely objects, financial situations and needs of the target market through the below risk mitigating factors:

- defensive exposure across essential retail and medical real estate assets that are predominantly leased to tenants with strong covenants on long-term leases;
- ensuring geographic diversification in markets with strong underlying economic fundamentals and complementary demographics;
- supplementing embedded growth in the Portfolio through pursuing value-add projects to deliver incremental capital growth;
- maintaining a conservative capital structure with a targeted Gearing range of 25% to 40%;
- nurturing existing key tenant relationships to leverage superior leasing outcomes for the existing Portfolio and partner on future opportunities; and
- utilising RAM Group's established agent, developer and business broker network to continue to identify off-market medical real estate opportunities and compete on-market where pricing and acquisition metrics are in line with the Fund's investment strategy.

Distribution Conditions

Distribution conditions

The Institutional Offer is open to certain Institutional Investors who are invited by the Responsible Entity and the Joint Lead Managers to apply for Securities via the Institutional Offer. The Institutional Offer will comprise an Offer provided to Australian resident Institutional Investors and other eligible Institutional Investors in eligible jurisdictions outside the United States to bid for Securities in the Fund, as outlined in the PDS. The Joint Lead Managers will provide direct guidance to select Institutional Investors regarding the Application procedure for the Institutional Offer.

The Broker Firm Offer is open to Applicants who have received a firm allocation from their Broker to apply for Securities under the PDS and who are Australian and New Zealand resident retail clients of participating Brokers. If a Broker offers the customer a firm allocation, the customer will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. The customer should contact their Broker to determine whether they are a participating Broker and may allocate Stapled Securities to them under the Broker Firm Offer. Applications for Securities under the Broker Firm Offer may only be made on an Application Form attached to or accompanying this PDS.

The Joint Lead Managers and the Responsible Entity may determine a person to be eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer application procedures or requirements, at their discretion, in compliance with applicable laws.

Why the distribution conditions and restrictions will make it more likely that the consumers who acquire the product are in the target market

RAM Property Funds Management Ltd monitors the quality and content of applications received from its Joint Lead Managers of the Offer for trends and patterns of unacceptable practices or just poor quality and/or incomplete application forms. Feedback is given, if and when needed.

Review Triggers

The review triggers that would reasonably suggest that the TMD is no longer appropriate include:

- A significant dealing of the Fund to consumers outside the target market occurs;
- A number of complaints is received from customers in relation to their investment which would reasonably suggest that the TMD is no longer appropriate;
- A material change to the Fund or the terms and conditions of the Fund occurs which would cause the TMD to no longer be appropriate;
- Material changes to the regulatory environment or relevant legislation;
- The extent and nature of any negative feedback from investors indicating that they are dissatisfied with the Fund and/or their investment;

- The extent and the nature of the complaints received from the JLMs or co-managers about difficulty in making the Fund available for investment to the targets market; and
- Inability of applicants to meet the minimum application of \$2,000 worth of Securities in aggregate and increments of at least \$500 thereafter.

Review Periods
At any time on or before the allotment of Securities under the Offer at the Responsible Entity's discretion in the event it becomes aware that a review trigger is triggered or that an event or circumstance reasonably suggests that the TMD is no longer appropriate.

Distribution Information Reporting Requirements
The following information must be provided in writing to RAM Property Funds Management Ltd by Ord Minnett Limited and E&P Corporate Advisory Pty Limited in relation to the Fund:

<u>Type of information</u>	<u>Description</u>	<u>Reporting period</u>	<u>Reporting deadline</u>
Customer Complaints	Number of complaints received in relation to the investment in the Fund made under the Offer	From the Offer opens until 6 months after the allotment of Securities under the Offer	As soon as possible but within 10 business days after becoming aware
Managers of the Offer Complaints	The extent and the nature of the complaints received from any lead manager or co-manager of the Offer about difficulty in making the Fund available for investment to the targets market	On or before the allotment of Securities under the Offer	As soon as possible but in any case within 10 business days after the end of the reporting period
Significant dealing(s)	Date or date range of the significant dealing(s) and description of the significant dealing (ie. why it is not consistent with the TMD)	On or before the allotment of Securities under the Offer	As soon as practicable, and in any case within 10 business days after becoming aware
Dealings outside of the target market	To the extent the Lead Managers of the Offer is aware of dealings outside of the target market, these should be reported to RAM Property Funds Management Ltd, including the reason why any dealing is outside of target market	On or before the allotment of Securities under the Offer	As soon as possible but in any case within 10 business days after the end of the reporting period
Customer payment default	Inability of applicants within the target market to meet the minimum application of \$2,000 worth of Securities in aggregate and increments of at least \$500	On or before the allotment of Securities under the Offer	As soon as possible but in any case within 10 business days after the end of the reporting period