



## The Australian Social Infrastructure Fund

ARSN: 094 614 874

## Fund & Portfolio Profile Update

24 August 2011



Responsible Entity:  
Austock Funds Management Ltd  
ABN 46 111 338 937  
AFSL 238 506

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## Purpose

This document has been prepared by Austock Funds Management Limited as the Responsible Entity of the Australian Social Infrastructure Fund (ASIF or the Fund). The purpose of this document is to provide a profile of ASIF's portfolio and financial metrics based on audited 30 June 2011 financial statements.

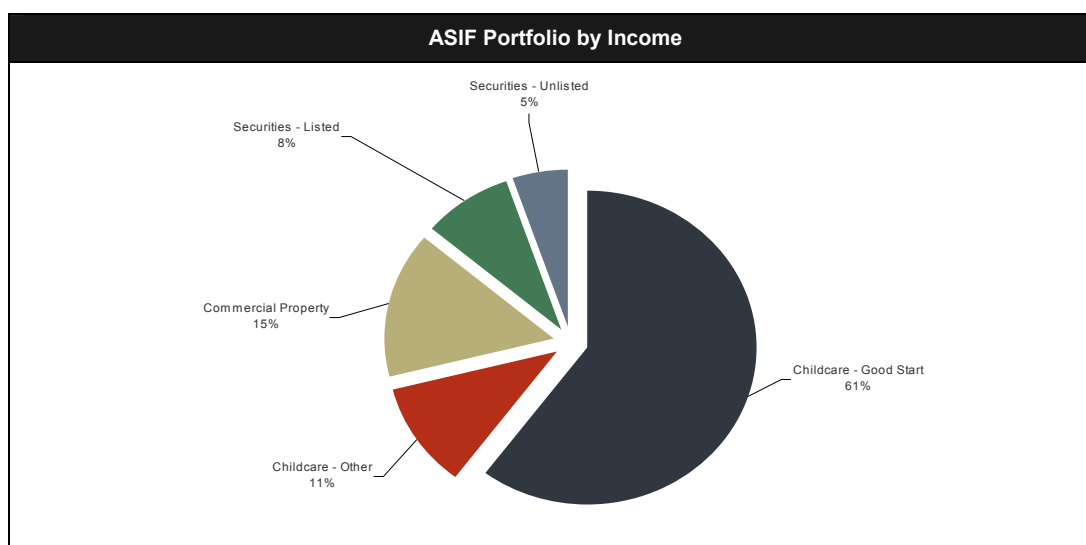
## ASIF KEY METRICS

<b>Financial Profile</b>	<b>As at 30 June 2011</b>
Gross Assets	\$106.8m
Value of Investment Property	\$86.8m
Borrowings	\$40.1m
Net Assets	\$65.0m
Gearing (Debt/Total Assets)	37.5%
Bank Calculated LVR (Debt/Investment Properties)	46.3%
ICR	1.95x
<b>Property Performance</b>	
Annualised Net Rental Income	\$8.1m
Property Yield – Weighted Average (Passing Rent/Valuation)	9.4%
Vacancy Rate	Nil
% GoodStart Tenancy (by income)	61%
Weighted Average Lease Expiry (“WALE”) (years)	8.4
<b>Investor Summary</b>	
Units on Issue	28,449,729
NTA per unit	\$2.28
Forecast Distribution FY12 (cents per unit)	14-15 cpu
Market Cap (based on \$1.40 unit price at 30 June 2011)	\$40m
FY12 Forecast Distribution Yield (based on \$1.40 per unit)	~ 10.0%

## PORTFOLIO SUMMARY

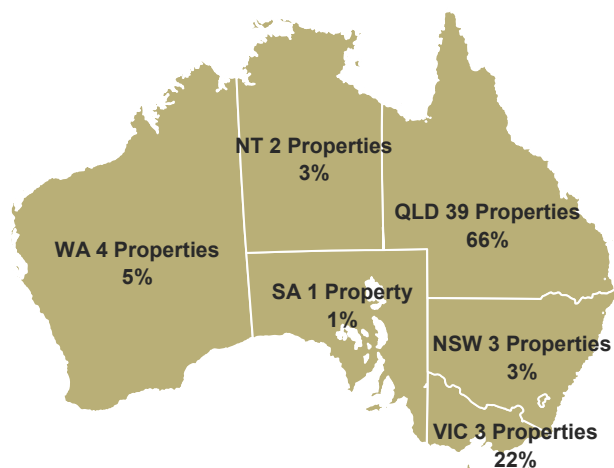
As at 30 June 2011	No of Properties	Carrying Value \$m's
<b>Childcare Properties</b>		
GoodStart Childcare and Other Childcare Tenants	50	70.0
<b>Commercial Properties</b>		
Melton, Victoria - Medical Centre & Glen Iris, Victoria - Self Storage Facility	2	16.8
<b>Total Properties</b>	<b>52</b>	<b>86.8</b>
<b>Property Securities</b>		
	<b>No of Units</b>	
Australian Education Trust (AEU)	7.7	6.2
Australian Property Growth Fund (APF)	3.8	2.6
CIB Fund (CIB)	3.6	6.8
Stockland Direct Retail Trust No 1 (SDRT1)	3.0	1.9
<b>Total Securities</b>		<b>17.5</b>
<b>Total Carrying Value</b>		<b>104.3</b>

- 42 leases to GoodStart Childcare
- Typical tenant bank guarantee – 6 months gross rent. GoodStart Childcare 'pooled' bank guarantee of approx \$3.6million extending to 2024
- 7 tenants
- WALE of 8.4 years






## CHILDCARE PROPERTY PORTFOLIO PROFILE

### ASIF Childcare Geographic Distribution



<b>Value as at 30 June 2011</b>	Value range, \$0.5 million - \$2.6 million. The average value of a childcare property is \$1.4 million
<b>Number of licensed places</b>	45-167 places per childcare property. Average number of places per centre 85
<b>Lease Term and Options</b>	Initial lease term of 10 years. One option of 10 years
<b>Net Annual Rental</b>	\$50,000 - \$247,000 per annum with an average rent per licensed childcare place of approximately \$1,565 per annum
<b>Rent Reviews</b>	Annually to CPI
<b>Passing Yield as at 30 June 2011</b>	Ranges 7.8% - 11.8%. The weighted average passing yield is 9.4%
<b>Outgoings</b>	Payable by the lessee including maintenance and capital repairs
<b>Bank Guarantees</b>	The leases to GoodStart are supported by a 6 month pooled bank guarantee. The total value of the bank guarantees held by the Fund as at 30 November 2010 is \$3.6 million
<b>Zoning</b>	Residential or Business zones
<b>Land Area</b>	Ranges between 1,195m <sup>2</sup> and 13,780m <sup>2</sup> with the average land area being approximately 3,160m <sup>2</sup>
<b>Building Size</b>	Range 300m <sup>2</sup> - 700m <sup>2</sup> . A number of the childcare properties have multiple buildings per site

## COMMERCIAL PROPERTY PORTFOLIO PROFILE

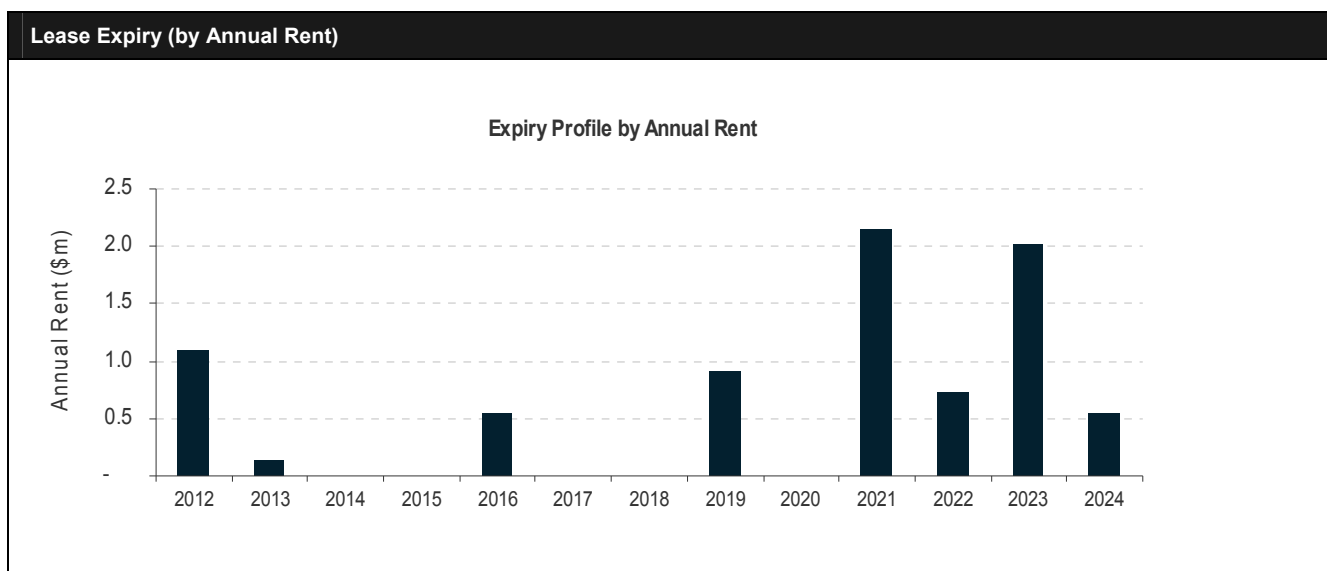
Geographic Distribution	Medical Centre – Melton, Vic	Self Storage - Glen Iris, Vic
 <p>Victoria – 2 Properties</p>		
	247-251 Station Road, Melton, Victoria	2A York Road, Glen Iris, Victoria
<b>Lessee</b>	Idameneo (No. 123) Pty Ltd, a wholly owned subsidiary of Primary Health Care Limited	Guardian Storage Pty Ltd
<b>Building Size</b>	2,160 sqm	7,150 sqm
<b>Lease Commencement Date</b>	5 August 2005	1 May 2004
<b>Initial Lease Term</b>	10 Years	15 Years
<b>Option Term</b>	Three options, each of 5 years duration	Two options, each of 5 years duration
<b>Rent Reviews</b>	Annual	Annual
<b>Basis of Rent Review</b>	Fixed 3%	CPI, not less than 2%, not more than 4.5%
<b>Outgoings Payable by Lessee</b>	Council Rates Water Rates Land Tax (single holding basis)	Council Rates Water Rates Land Tax (single holding basis)
<b>Bank Guarantee/Guarantor</b>	Guarantor - Primary Health Care Limited	Bank guarantees equal to 6 months rental
<b>Market Yield</b>	8.5%	9.5%

## CAPITAL MANAGEMENT

### Debt Facility Key Commercial Terms at 30 June 2011

<b>Facility Limit</b>	\$49.1 million (subsequently reduced to \$40.1 million).	
<b>Drawn Amount</b>	\$40.1 million as at 30 June 2011.	
<b>Facility Term</b>	2 Years expiring 23 September 2012.	
<b>Margins</b>	Scale of margins dependant upon the Fund's LVR position.	
<b>Loan to Value Ratio (Property Only)</b>	<b>Covenant</b>	<b>Actual 30 June 2011</b>
	Pre 30 June 2011 - 57.5% )	46.3%
	Post 30 June 2011 - 52.5% )	
<b>Interest Cover Ratio</b>	<b>Covenant</b>	<b>Actual 30 June 2011</b>
	Not to be less than 1.60 times EBIT )	1.95x
	adjusted for non-cash items )	
<b>Mandatory Repayment</b>	100% of net proceeds from property sales and first \$6 million of proceeds from the sale of securities must be applied to debt reduction.	
<b>Hedging</b>	\$35 million fixed at 5.7% pa. Expires 23 September 2011.	
<b>Weighted Average Interest Rate as at 30 June 2011</b>	8.1% pa.	

## LEASE STRUCTURE & VACANCY PROFILE OF CHILDCARE PORTFOLIO



### Lease Structure

- Triple Net Lease Structure
- Rental growth indexed annually to CPI
- The tenant is responsible for all repairs and maintenance including capital repairs
- The GoodStart leases include a single 10 year option which can be exercised by either the tenant or the landlord. It is the landlord's intention to exercise these options as they fall due. The WALE calculation is based on the assumption that these options are exercised.
- Typical lease term from commencement; 10 years plus one 10 year option
- Rental growth indexed annually to CPI

### Occupancy Profile

- 0% Vacancy
- 2012 potential vacancies includes guaranteed rent flow to 2014
- No significant number of vacancies until 2021
- Weighted Average Lease Expiry of 8.4 years

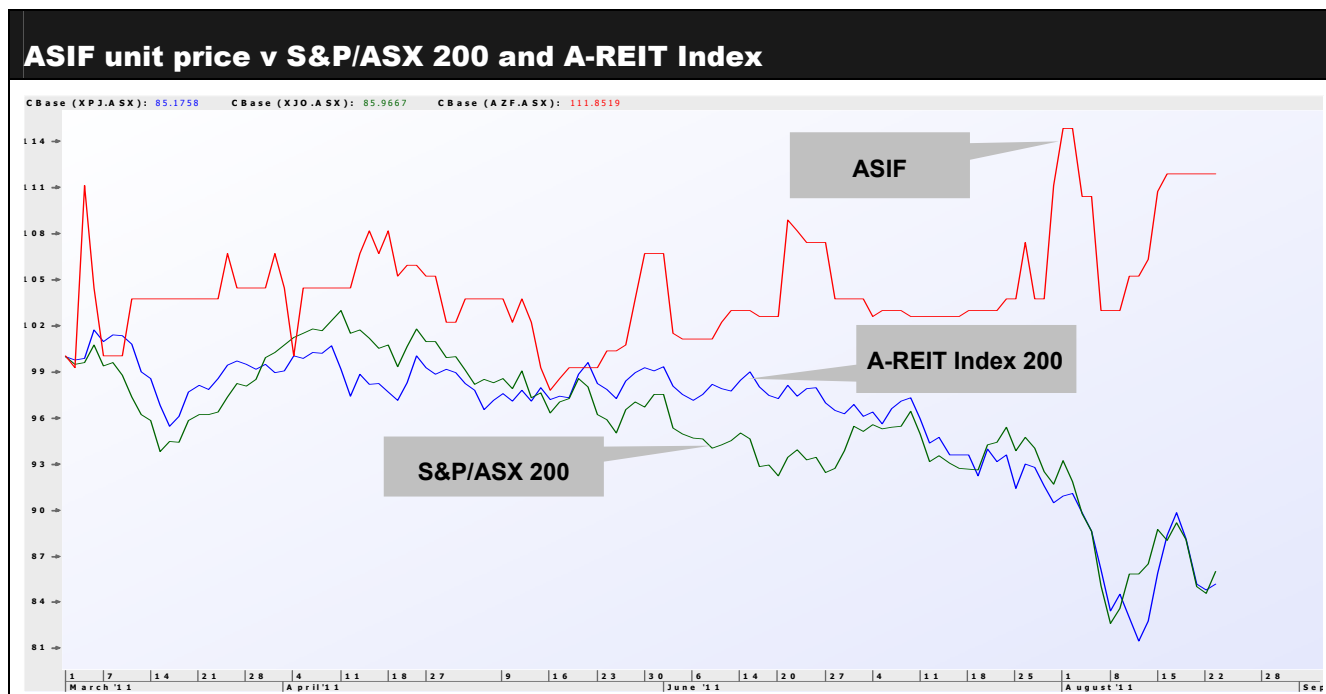
## VALUATION METHODOLOGY

### Valuation Policy

Investment properties are measured at fair value and revalued on a regular basis to ensure the carrying amount of each property does not differ materially from its fair value at the balance date. A full independent valuation of each property is carried out at least once every three years. The average weighted last valuation date for ASIF's assets is October 2010.

- 30 of ASIF's 52 properties were valued in the 12 months ending 30 June 11
  
- The valuations:
  - equated to 65% of the property portfolios value
  - resulted in an overall increase of 1.0% or \$0.3 million
  
- Weighted Passing Yields – (passing rent/value)
  - Childcare                      9.5%
  - Commercial                    8.7%
  - Portfolio                        9.4%

## MARKET & INDUSTRY PERFORMANCE



Source: IRESS

Analysis of ASIF compared to the ASX 200 and A-REIT index is difficult as ASIF has only been listed since 17 February 2011.

### Industry Overview – Long Day Care Statistics

	Dec 2010	Sep 2005
Total No. Long Day Care (LDC) Centres	5,991	4,751
No. Children Attending LDC as a % of Total Children Attending Child Care Services Australia	62.3%	57.4%
No. Children Attending (LDC)	568,080	461,626
Average No. Hours Attending LDC (per week)	26.0	19.0
National Average Occupancy Level (Percent of Places Used)	75%	77%
No. Families Using Childcare (LDC)	456,950	380,300
Childcare Benefit (max \$ pa)	\$7,500	\$4,354

Source: DEEWR

### Childcare Fundamentals

- Demand is driven by rates of childbirth, immigration and population growth and the number of dual income families
- Expenditure on Childcare is an economic multiplier
- Government expenditure on Childcare Industry is estimated at 16.1 billion over next four years
- Every \$1 spent returns \$8.11 of economic benefits
- Every \$1 spent on Childcare returns \$1.86 in Taxes
- Maximum Childcare Rebate has increased by 72% to \$7,500
- Total spend on pre-school learning as % of GDP – Australia Ranks 25 in OECD

Source:

Department of Education, Employment and Workplace Relations (DEEWR)

Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) - Social Policy Report 2004

Organisation for Economic Co-operation and Development (OECD) - 2005

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## **MANAGEMENT INITIATIVES**

### **Short Term Objectives**

- Continue to undertake initiatives to increase distributions in a sustainable manner
- Seek opportunities to increase liquidity of ASIF on ASX which may result in an increase in unit price
- Minimise non-recoverable outgoings from tenants
- Introduce a stabilised ASIF to a large array of retail and institutional investors
- Engage with research houses to commence coverage on ASIF

### **Medium Term Objectives**

- Minimise the yield premium investors seek when investing in ASIF
- Continue high level of disclosure and interaction with investors
- Maintain a 'value add' approach to asset and capital management

### **General Investment Objectives**

- Protect Unitholder interests to the maximum extent possible
- Provide Unitholders with access to real estate investment in childcare and other complimentary property asset classes
- Provide an uncomplicated property investment platform for investors
- Provide a stable, growing income stream underpinned by long-term leases
- Provide geographical diversification through asset selection
- Provide an attractive income yield with increasing underlying property values
- Provide best practice management and industry expertise to enable portfolio and risk management policies to maximise returns and operating efficiencies

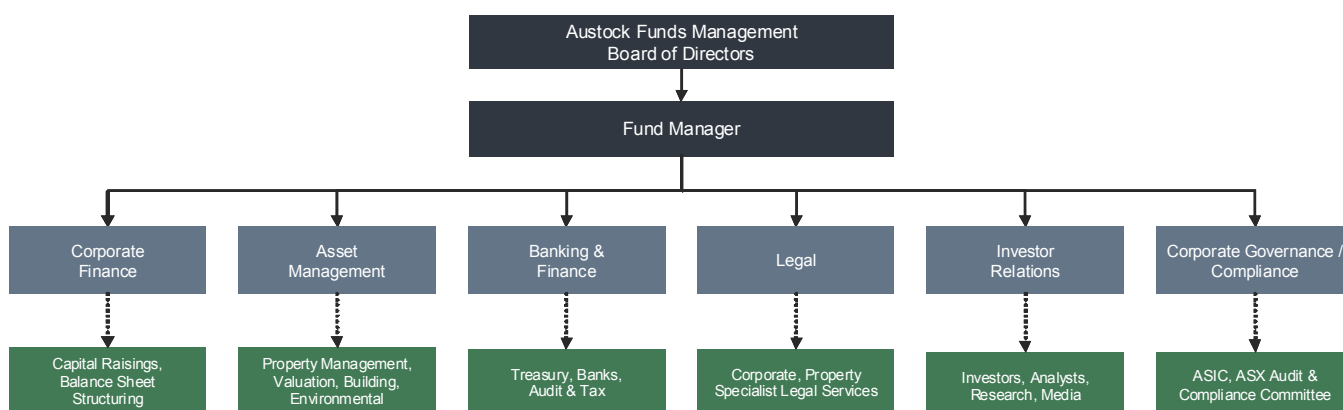
## RESPONSIBLE ENTITY

Austock Funds Management Limited (AFML) is the Responsible Entity (RE) for The Australian Social Infrastructure Fund. AFML holds an Australian Financial Services Licence (AFSL No. 238506) which allows the RE to administer funds at a retail and wholesale level, produce PDS's and raise funds for property investment purposes.

AFML's model is based on independent decision making to ensure a high level of expertise across each investment discipline. Management delivers economies of scale and consistent systems that are aligned with Unitholder performance expectations.

Like other organisations whose core business involves the provision of professional services, AFML's key asset is its people. This means quality and well-trained personnel with proven expertise within the Australian Real Estate Funds Management sector.

The key aspects of our business partnerships are transparency and accountability. We focus on trusted relationships with our partners based on defined deliverables and a long term commitment.



## BOARD OF DIRECTORS & KEY MANAGEMENT

A Board of Directors with years of proven expertise in real estate, banking and finance, financial planning and investment management. A broad and multi-dimensional approach, together with significant investment experience, particularly in the banking and finance arena, ensures the Board has the necessary skills in mitigating risk and protecting capital, particularly in more difficult times. A dedicated fund manager is responsible for the day-to-day management of the Fund and regular reporting to the Board of Directors.



**Victor Cottren**  
Chairman and Non-Executive Director

Bachelor of Commerce (Melbourne), Fellow of Australian Insurance Institute, Fellow of the Australian Society of Certified Practising Accountants, Fellow of the Australian Institute of Company Directors.

Vic was appointed on 22 December 2004. Vic has an extensive background in financial planning, life insurance & superannuation and investment management gained with such companies as AMP, Williams Tolhurst, Australian Eagle, Norwich Union, Investors Life Group and National Australia Bank. Vic filled various senior management posts, including chief executive and directorship positions within these companies and their subsidiaries prior to commencing his consulting business in 1995. He is a non-executive Director of Austock Group and several of its subsidiaries.



**Michael Johnstone**  
Non-executive Director

Bachelor of Town & Regional Planning, Licensed Land Surveyor, Advanced Management Program (Harvard)

Michael was appointed on 22 December 2004. Michael has over 35 year's global experience in real estate finance, investment and development. Michael is currently a non-executive director of Dennis Family Holdings and Dennis Family Homes, a non-executive director of APN Funds Management and a member of the Investment Committee of APN Development Fund, a non-executive director and Chairman of bWired Pty Ltd, a non-executive director and Chairman of State Equity Group. Michael is also a member of the Audit and Compliance Committee of the Fund.



**Warner Bastian**  
Non-executive Director

Fellow of Australian Institute of Company Directors

Warner was appointed on 1 March 2009. Warner is the former Managing Director of the Pharmacy Guild of Australia's insurance and finance services subsidiaries with over 50 years experience in insurance and financial services. Warner is Chairman of the Audit and Compliance Committee of the Fund and is also an alternate Director of Austock Life Limited.



**Ian Townsing**  
Fund Manager

MBA (Melbourne Business School), Bachelor of Business (Property) RMIT, Associate Australian Property Institute (Valuations)

Ian has over 20 years experience in commercial property with particular focus on valuations and asset and funds management. Previously he was head of property for Grand Hotel Group, an ASX listed, internally managed property trust with primary responsibility for strategy, acquisitions, disposals and management of portfolio assets. Ian has substantial experience in most facets of commercial property including property development. Ian's role within Austock Property is to manage The Australian Social Infrastructure Fund and the CIB Fund.

## DIRECTORY

<b>Responsible Entity and principal place of business of The Australian Social Infrastructure Fund</b>	Austock Funds Management Limited Level 12, 15 William Street Melbourne VIC 3000  RE Website: <a href="http://www.austock.com/property/austockproperty">www.austock.com/property/austockproperty</a> The Australian Social Infrastructure Fund Website: <a href="http://www.asifund.com.au">www.asifund.com.au</a>
<b>Directors of the Responsible Entity</b>	Victor Cottren (Chairman) Michael Johnstone Warner Bastian
<b>Auditor/Tax Advisors</b>	PricewaterhouseCoopers Freshwater Place, 2 Southbank Boulevard Southbank Vic 3006
<b>Bank</b>	Australia & New Zealand Banking Corporation Limited Level 29, 100 Queen Street Melbourne VIC 3000
<b>Custodian</b>	The Trust Company Limited Level 15, 20 Bond Street Sydney NSW 2000
<b>Secretary of the Responsible Entity</b>	Amanda Jane Gawne/Adrian Seamus Hill Level 12, 15 William Street Melbourne VIC 3000
<b>Share Registry</b>	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000
<b>Investor Relations</b>	Lula Lioffi Austock Property Funds Management Limited Level 12, 15 William Street Melbourne VIC 3000 Ph: (03) 8601 2668

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## **DISCLAIMER**

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