



Investor Update

22 May 2021

Steve McKnight

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Agenda

- FY20 Audited Financials
- Fund Performance
- Portfolio Summary
- Investing Strategy
- Q & A



Rich Hering Update

- Rich is the GM of Sunizo
- Sunizo is our wholly-owned property manager



Part 1

FY20 Audited Financial Statements



Profit & Loss



INCOME	2020	2019
Rental Income	\$12,287	\$16,520
FV Capital Gains	\$4,844	\$1,874
Realised Capital Gains	\$1,028	\$1,191
All Other Income	\$702	\$797
Total Income	\$18,861	\$20,382

Dollars in thousands

Profit & Loss %



INCOME	2020	2019
Rental Income	65%	81%
FV Capital Gains	26%	9%
Realised Capital Gains	5%	6%
All Other Income	4%	4%
Total Income	100%	100%

Dollars in thousands

Insight

- Revenue ↓ 8%
 - Pandemic (rent abatement)
 - 10 fewer properties
 - Less properties = less rent
- Composition represents changing nature of investment lifecycle

Profit & Loss

EXPENSES	2020	2019
Property	\$6,603	\$7,694
Finance	\$990	\$1,293
RE Fees	\$2,579	\$2,889
Other	\$256	\$329
Total Expenses	\$10,428	\$12,205

Dollars in thousands

Profit & Loss %



EXPENSES	2020	2019
Property	63%	63%
Finance	9%	11%
RE Fees	25%	24%
Other	3%	3%
Total Expenses	100%	100%

Dollars in thousands

Insight



- Expenses ↓ 17%
 - RE fees 13.7% income (2019: 14.2%)
- Fewer properties. Less debt.
- Expenses proportionate with prior year

Profit & Loss

BEFORE TAX	2020	2019
Income	\$18,861	\$20,382
Expenses	(\$10,428)	(\$12,205)
Operating Profit Before Tax	\$8,433	\$8,177

Dollars in thousands



Profit & Loss

AFTER TAX	2020	2019
Op Profit Before Tax	\$8,433	\$8,177
Tax	(\$1,244)	(\$1,266)
Profit After Tax	\$7,189	\$6,910

Dollars in thousands



Profit & Loss %

% INCOME	2020	2019
Operating Profit Before Tax	44.71%	40.12%
Operating Profit After Tax	38.12%	33.90%

Dollars in thousands



Insight

- Efficiency seems to be improving.
- Somewhat skewed by realised gains.



Balance Sheet

ASSETS	2020	2019
Property	\$92,757	\$137,636
Cash	\$27,987	\$14,361
Other	\$878	\$1,736
Total Assets	\$121,622	\$153,733

Dollars in thousands



Balance Sheet

ASSETS: UNAUDITED	04/2021	12/2020
Property	\$92,920	\$92,757
Cash	\$19,046	\$27,987
Other	\$1,808	\$878
Total Assets	\$113,774	\$121,622

Dollars in thousands



Insight

- Strategy was to increase cash reserves for extra margin in volatile times
- Not all cash is ‘free cash’
- Dollar cost averaging USD to AUD



Balance Sheet

LIABILITIES	2020	2019
Borrowings (Property)	\$12,256	\$23,242
Deferred Tax Liability	\$8,846	\$11,934
Other	\$10,346	\$6,828
Total Liabilities	\$31,448	\$42,004

Dollars in thousands



Insight

- Debt reduction from:
 - Loan payout on properties sold
 - WF ‘extra’ repayment
- PDIT down from:
 - Property sales (profit now realised)
 - FX rate (less unrealised gains)



Balance Sheet

EQUITY	2020	2019
Unitholder Funds	\$90,079	\$92,677
FCTR	\$11,179	\$20,114
CY	\$7,189	\$6,910
Distributions (Paid/Payable)	(\$18,273)	(\$7,972)
Total Equity	\$90,174	\$111,729

Dollars in thousands



Distributions

PAID	2020	2019
Interim	13.75¢	5.0¢
Final	8.00¢	5.0¢
Total	21.75¢	10.0¢

Dollars in thousands



Distributions

PAID	2020	2019
Interim	\$10,879	\$4,176
Final	\$6,331	\$4,033
Total	\$17,210	\$8,210

Dollars in thousands



Distributions

PAID	2020	2019
Interim	\$10,879	\$4,176
Final	\$6,331	\$4,033
Total	\$17,210	\$8,210
Reinvested	\$2,475	\$5,093

Dollars in thousands



Redemptions

	2020	2019
Redemptions	(\$5,074)	(\$6,943)

Dollars in thousands



Insight

- Reduction in equity due to:
 - ↑ cash distributions paid
 - Redemption
 - ↓ FCTR (mvt FX)



Cash Flows

Operating Activities	2020	2019
Operating Activities	\$4,944	\$6,319
Taxes	(\$4,332)	(\$1,128)
Net Operating Activities	\$612	\$5,191

Dollars in thousands



Cash Flows

	2020	2019
Operating Activities	\$612	\$5,191
Investing Activities	\$38,109	\$4,118
Financing Activities	(\$25,787)	(\$11,792)
Change In Cash	\$12,934	(\$2,483)

Dollars in thousands



Insight

- ↓ rent, ↓ operating cash
- Still positive cashflow!
- Tax paid on capital gains
skews result
- Investing (sale), Financing (distn)



Steve's Total Investment

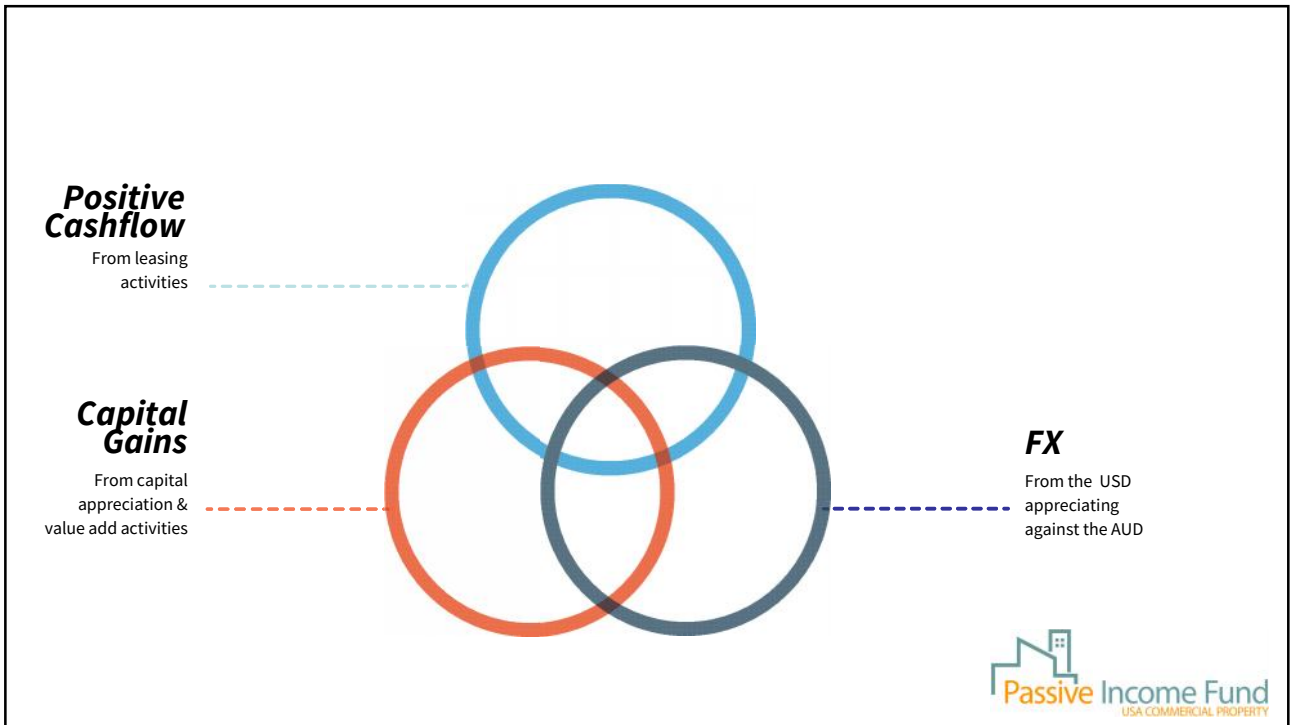
	2020	2019
Units	3,423,215	3,333,462
Value	\$4,283,127	\$5,110,531

Per Related Party Transactions



Part 2 Performance





Positive Cashflow

- Portfolio is performing
- Vacancy 4% by # units (10% by sf)

Passive Income Fund
USA COMMERCIAL PROPERTY

A large light blue circle contains the text 'Positive Cashflow'. To its right is a bulleted list with two items. The Passive Income Fund logo is in the bottom right corner.



Capital Gains

- Have not tested in 2021
- Reports are that cap rates continue to be squeezed (= cap gains)



Foreign Exchange

- AUD tested and rejected US80¢
- Resistance at US78¢
- Support at US76¢



AUD:USD

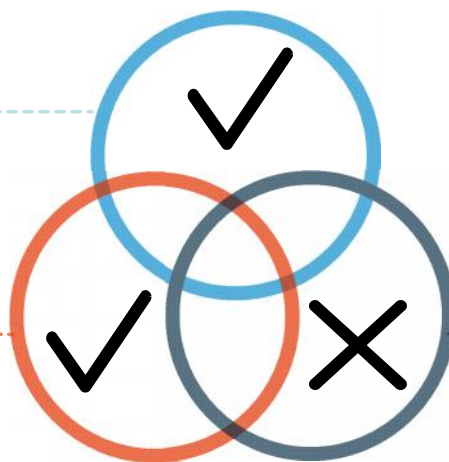
	2020	2019	2018	2017	2016	2015	2014	2013
Start	70.2¢	70.4¢	78.1¢	71.8¢	72.9¢	81.7¢	89.2¢	103.8¢
End	77.1¢	70.2¢	70.4¢	78.1¢	71.8¢	72.9¢	81.7¢	89.2¢
Mvt ¢	-6.9¢	0.2¢	7.7¢	-6.3¢	1.1¢	8.8¢	7.5¢	14.6¢
Mvt %	-9.8%	0.3%	9.9%	-8.8%	1.5%	10.8%	8.4%	14.1%

Positive Cashflow

From leasing activities

Capital Gains

From capital appreciation & value add activities



FX

From the USD appreciating against the AUD

Net Return (cents per unit)

	2020	2019	2018	2017	2016	All Time
Distributions	21.75	10.00	10.00	10.00	9.60	81.35
Unit Price [^]	(28.19)	(1.99)	14.38	(3.32)	5.16	26.31
Total	(6.44)	8.01	24.38	6.68	14.76	107.66

* Gross of US withholding tax ^ Including effect of FX



FY 20 Summary

- **Profit from**

- Net rental income
- Realised capital gains
- Unrealised capital gains

- **Was offset by**

- Unfavourable movements in FX



Insight

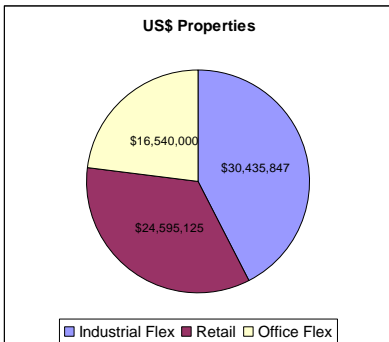
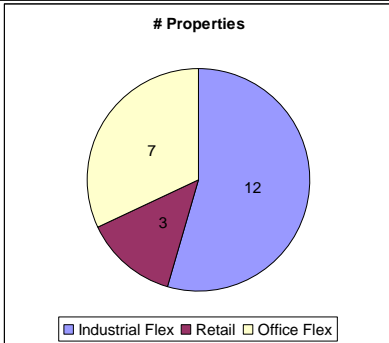
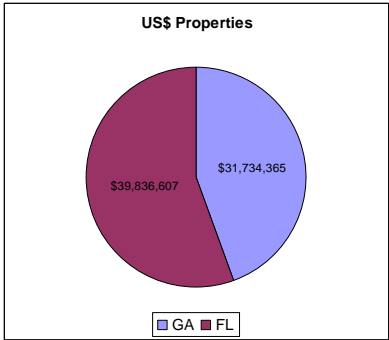
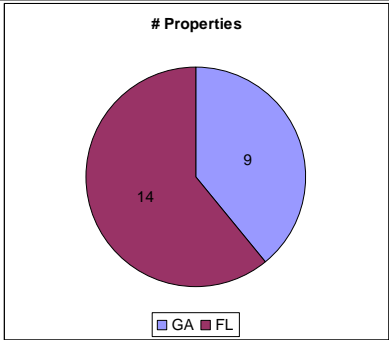
- Returns are not linear
- Realised results good
 - Operations & Capital gains
- Unrealised results were poor
 - Capital gains positive
 - ↑ AUD was the stumbling block



Part 3

Portfolio Summary





Vacancy (rent ready)

	Vacant	Total	%
Square ft	82,904	813,153	10.2%



Vacancy (rent ready)

	Vacant	Total	%
Square ft	82,904	813,153	10.2%
Units	8	206	3.9%



Insight

- Three products in two markets
- Diversity by:
 - Location
 - # tenants
 - Use
 - Price point



Part 4 Investing Strategy



The Big Picture Goal

How do we:

- Preserve capital?
- Maximise returns?
- Manage risk?



Puzzle Pieces

1. Profit objective
2. Risk management
3. Agreed Fund life (12/28)
4. Commitments to manage
5. Optimal FX exit (US<65¢)



1. Profit Objective

- **Not a forecast!**
- Total Return (net of fees)
 - 8%pa
- Net Rental (Operations)
 - 4% to 6%pa
- Capital Gains
 - 2% to 4%pa



Net Rental

- Positive cashflow
- Portfolio stable
- Leasing strong
- Upside leasing opportunities from present vacancies



Capital Gains

- Upwards pressure on prices
- Low stock
- Low interest rates
- Strong forecast for medium term pandemic recovery



2. Risk Management

- Economic risk
 - GDP
 - Unemployment
 - Inflation
 - Wisdom of the phone



2. Risk Management

- Economic risk
- Political risk
- Biosecurity risk
- Investment risk



3. Agreed Fund Life

Vote in March 2018

- Wind up REIT on/before
31 December 2028
- Wind up Fund on/befre
31 December 2029



4. Commitments

- Debt commitments
 - Westlake (Due Jan 2026)

Year	Penalty %	Penalty \$
2021	4%	\$144,000
2022	3%	\$108,000
2023	2%	\$72,000
2024	1%	\$36,000
Jan - Aug 2025	1%	\$36,000
After Aug 2025	0%	0



4. Commitments

- Debt commitments
 - Wells Fargo (Due 6/2025)
 - No repayment penalty after 1 March 2025
 - Defeasance / prepayment penalties



4. Commitments

- Overhead commitments
 - Human Resourcing
 - Staff
 - Property management
 - Portfolio management
 - Rent, etc.



5. FX

- Not generally controllable
- But we do have mechanisms to 'lock in'... at a cost
- Hedging
 - Time cost
 - Price cost
- Risk vs. Return vs. Timing



“Perfect Solution”

1. Lock in a timeframe
2. Hold for income
3. Benefit from generic and manf'd capital gains
4. Wait for the AUD to glitch, then lock in pursuant to timeframe



“Perfect Solution”

4. Set a ‘sales timeline’ that:
 - Meets and manages staff / debt commitments
 - Facilitates a portfolio plan for ongoing management



Strategy Timeline

2021	2022	2023	2024	2025	2026	2027	2028
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Strategy Timeline

2021	2022	2023	2024	2025	2026	2027	2028
Hold for cashflow and growth. Spot sell as needed.							
Six monthly distribution. Annual redemption.							



Strategy Timeline

2021	2022	2023	2024	2025	2026	2027	2028
Hold for cashflow and growth. Spot sell as needed.			Strategic sell down.				
Six monthly distribution. Annual redemption.			1/4ly distribution. No redemption.				



Strategy Timeline

2021	2022	2023	2024	2025	2026	2027	2028
Hold for cashflow and growth. Spot sell as needed.			Strategic sell down.		Keep in reserve.		
Six monthly distribution. Annual redemption.			1/4ly distribution. No redemption.				



Insight

- Can we be patient?
- Bank positive cashflow
- Benefit from cap gains
- Take advantage of fx when the time comes



Part 5 Q&A



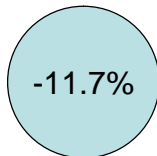
INVESTMENT SUMMARY

Date	Description	Holding Balance	Price	Amount
01/07/2020	Opening Value of Investment	42,092	\$1.5314	\$64,459.69
30/09/2020	Less: Distribution (6.25 cents per unit)			(\$2,630.75)
31/12/2020	Less: Distribution (8.00 cents per unit)			(\$3,367.36)
	Return on Investment (Net of fees) ⁽ⁱ⁾			(\$5,796.07)
31/12/2020	Closing Exit Value of Investment	42,092	\$1.2512	⁽ⁱⁱ⁾ \$52,665.51

(i) The return on investment calculation takes into account capital appreciation and distributions made during the year, and is after all fees and costs.

30/6: 69.022

31/12: 77.083



SUMMARY

Metric	Value	Metric	Value
Market value of units held at 31 December 2020	\$52,665.51	Total Return (ex withholding tax)	\$24,689.61
+ Cash Distributions Paid	\$5,787.65	Investment cost (ex contribution fees)	\$33,763.55
+ Redemptions / Transfers Out (if applicable)	\$0.00		x 100
= Total value at 31 December 2020	\$58,453.16	= Total % Return	73.13%
- Investment cost (ex contribution fees)	\$33,763.55	Indicative Annualised Return	10.32% p.a.
= Total Return (ex withholding tax)	\$24,689.61	(7.09 average years)	

Note:- The annualised return is for indicative purposes only. The calculation is from the date of your first investment. Any subsequent transactions should cause the return to be different. The applicable unit price at the transfer date has been used for transfer (in/out) transactions. For a more accurate computation you may consult your financial adviser.



Thanks

