

Capability Statement



SOPHISTICATED
REAL ESTATE
INVESTMENT
VEHICLES

TRANSPARENT
CO-INVESTMENT
STRUCTURES

PARTNERSHIPS
WITH INVESTORS

RETAIL,
COMMERCIAL
AND INDUSTRIAL
ASSETS

CONSISTENT RISK
ADJUSTED RETURNS

INTEGRATED REAL
ESTATE PLATFORM

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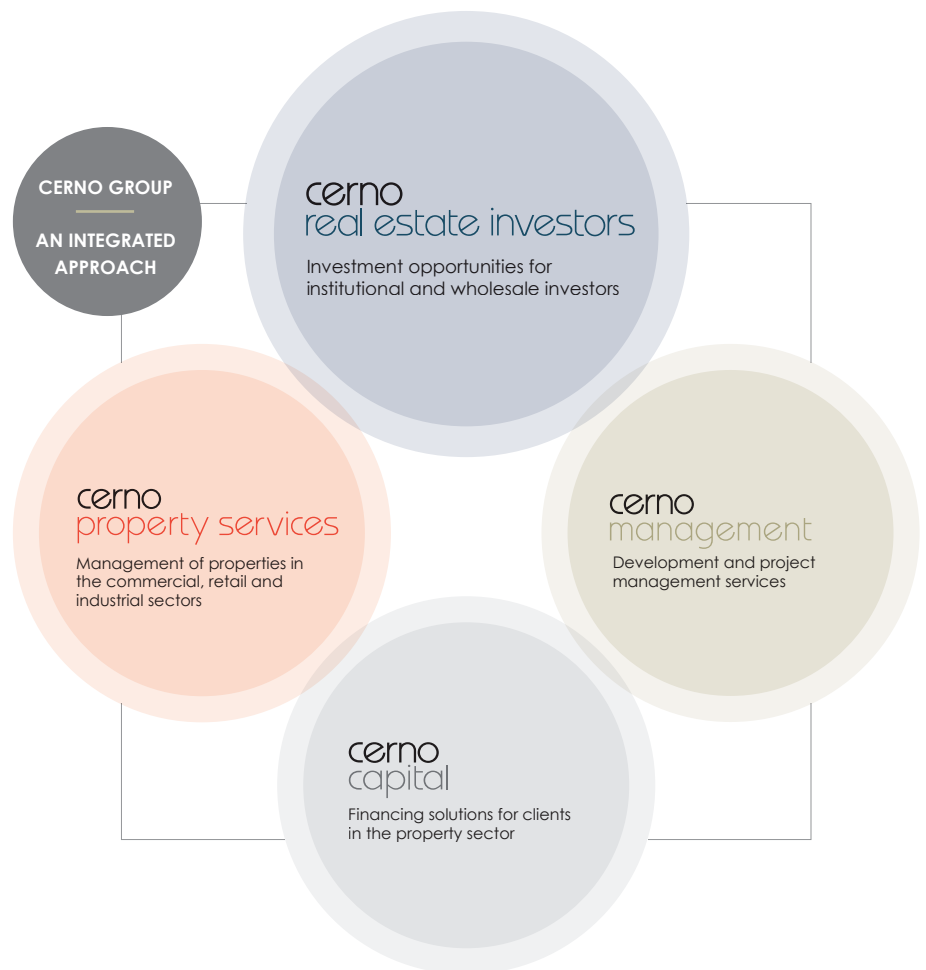
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Who We Are

We are an independent, diversified, Australian-based property group providing property investment, property management, facilities management, project delivery, and property finance services.

Cerno was formed in 2004 by Founding Directors, Michael Figg and Paul Di Cristo. Now, in its 13th year of operation, Cerno offers a highly integrated approach to property with its four key entities: Cerno Real Estate Investors; Cerno Property Services; Cerno Management; and Cerno Capital; working seamlessly together as Cerno Group (Cerno).

This integrated approach to property, combined with our consistent track record and breadth of experience in dealing with complex assets, ownership structures and projects, is what sets us apart from our competitors.



What We Offer

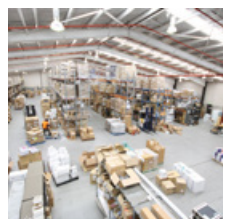
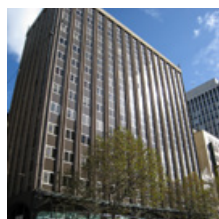
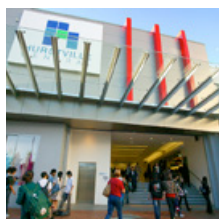
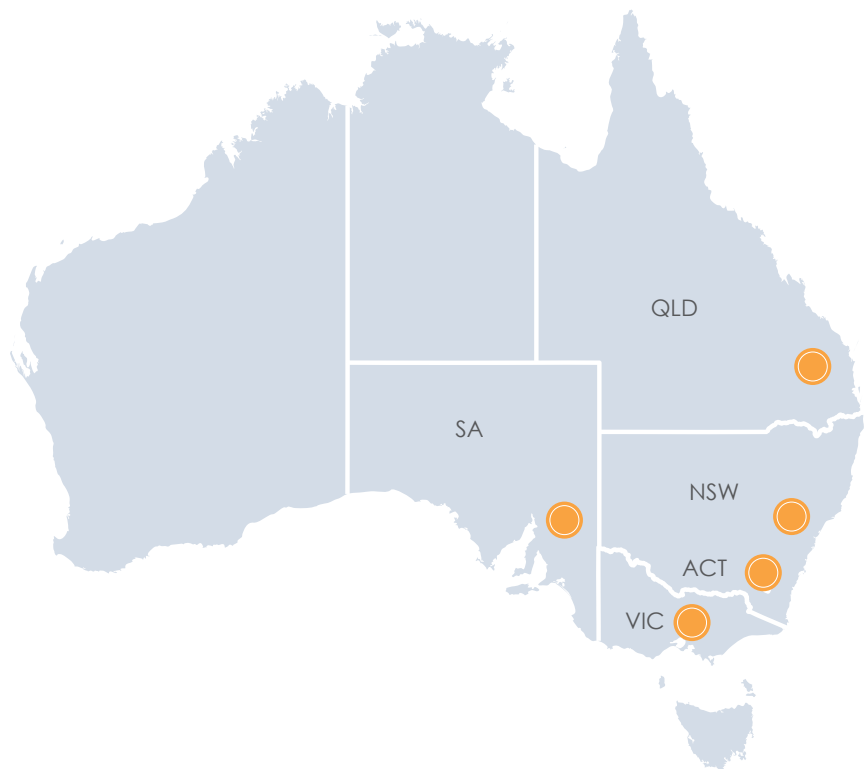
We successfully create, own, manage and finance property assets, focusing on commercial, retail, hospitality, industrial, mixed-use and residential property sectors.

As a diversified national property group, we have successfully created, owned, managed and financed assets in various locations in Australia.

Our focus is predominately on major cities and metropolitan areas. We know these markets well, allowing us to remain highly focused and specialised in the geographical areas we cater to.

We strive to be authentic. We genuinely care and have built a professional team of people that go the extra mile. This is how we do business.

Our transparent corporate culture fosters long-term client relationships that are built on mutual trust, integrity and honesty. This has been instrumental to our success. Our authenticity and ability to go the extra mile will continue to be what drives us forward in the future.



Our Capabilities

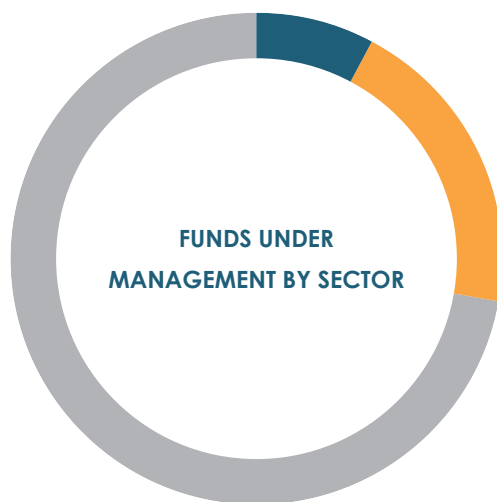
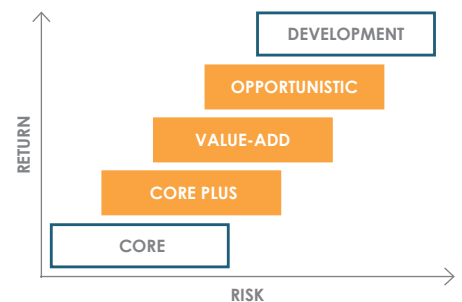
We create and co-invest in sophisticated real estate investment products. Our disciplined, 'hands on' approach' focuses on the fundamentals of real estate that will drive long-term value.

Cerno Real Estate Investors has over A\$150 million in funds under management in several closed-ended real estate investment funds.

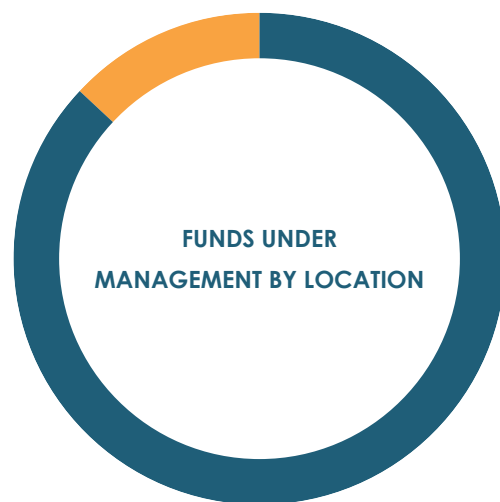
Cerno Real Estate Investors has realised four funds with a total realised value of approximately A\$102.3 million.

We create real estate investment vehicles, in partnership with investors, which provide a strong alignment of interest through performance-based fees and co-investment in simple and transparent structures aimed at meeting investors' risk-return profile.

RISK VS RETURN



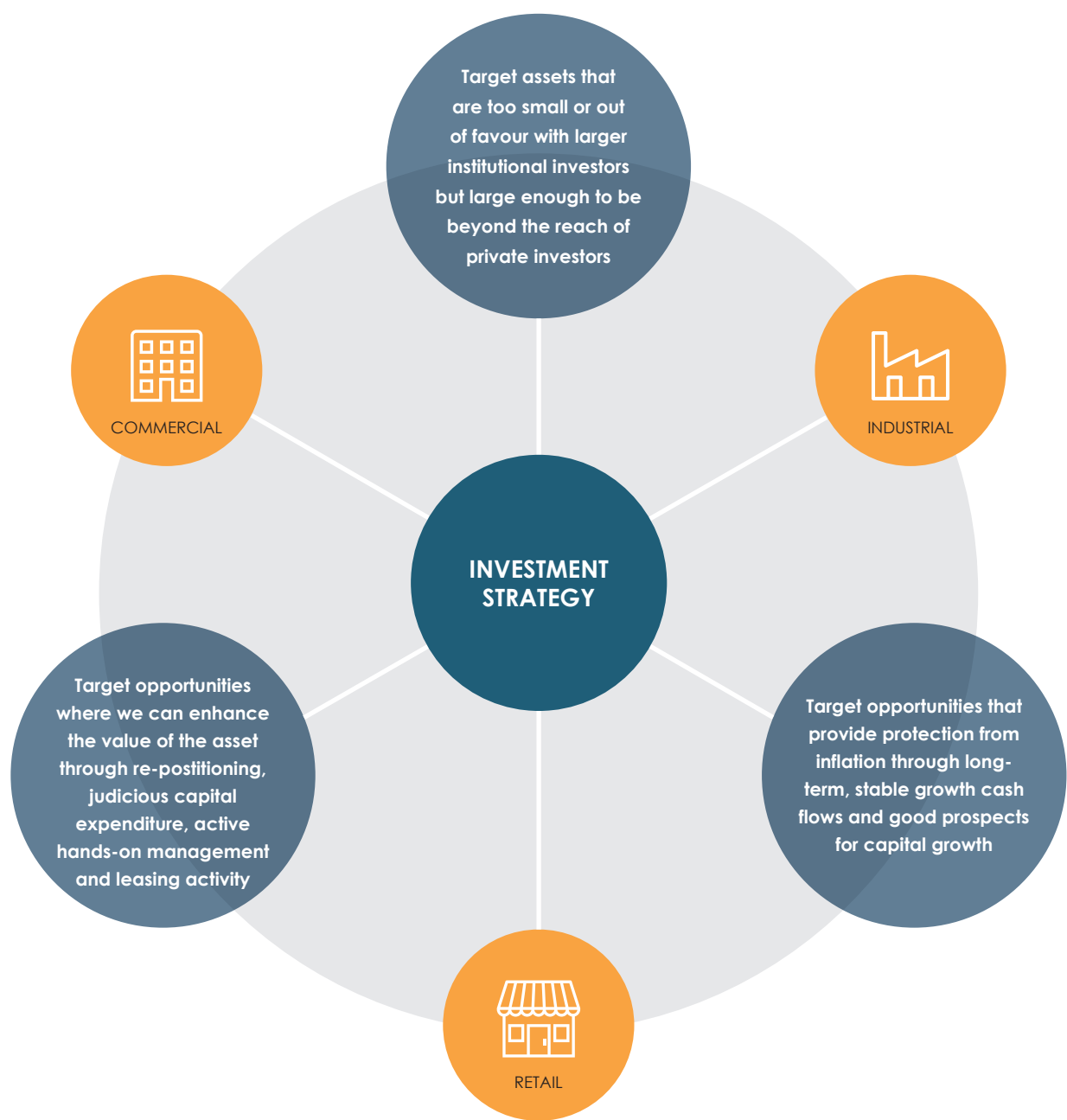
Commercial – 8%
Industrial – 20%
Retail – 72%



New South Wales – 87%
Victoria – 13%

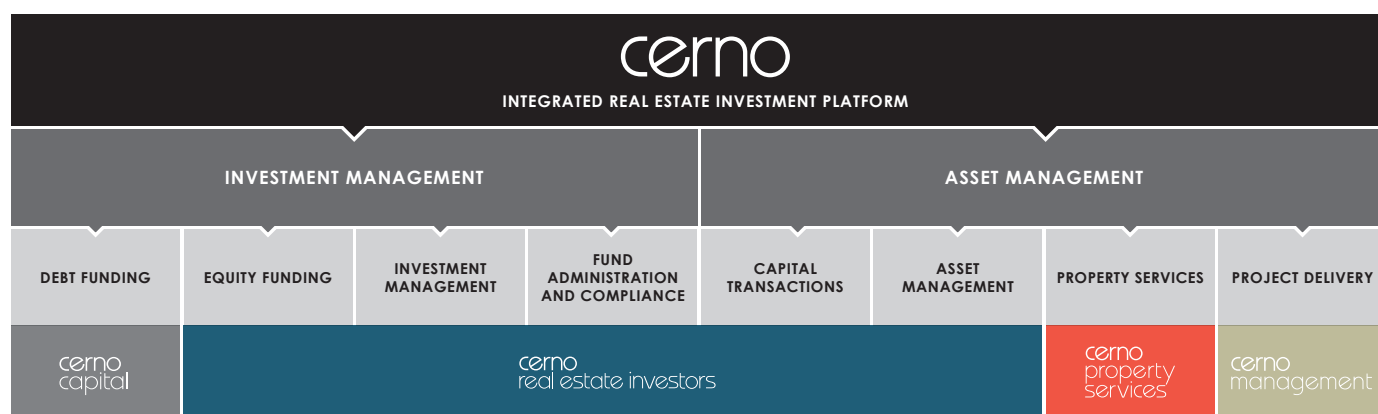
Investment Strategy

Our investment strategy is aimed at providing investment solutions for institutional and wholesale investors in retail, commercial and industrial assets.



Integrated Real Estate Investment Platform

By leveraging Cerno's integrated real estate platform, we deliver quality investment products that provide a transparent view of risk, preserve investment capital and deliver consistent risk-adjusted returns.



Cerno Group's integrated investment platform enhances the active management of real estate investment assets and provides us with a competitive edge in delivering quality investment products.

The integrated investment platform allows each entity to focus on their speciality, whilst still enabling the entities to draw on one another for additional expertise. This ensures the transfer of skills and valuable industry knowledge across the Group, and allows our co-investors to benefit from the complete spectrum of expertise within the Cerno Group.

What We Offer

We know property. We provide a hands-on approach in dealing with our investments, closely monitoring the finer details to identify opportunities to extract the maximum value from these assets.



A robust asset management strategy identifying strengths, opportunities to add value, threats and weaknesses.



Ability to draw on the project delivery skills within the entire Cerno Group to de-risk assets where asset management plans call for the repositioning of assets.



Skilled risk management capabilities and effective mitigation strategies for identified risks.



Trusted relationships with bankers and other equity providers, supporting the Cerno Group's funding strategies in ensuring the efficient allocation of capital and financial leverage.



In-house property managers to successfully control property outgoings, maintain tenant relations and actively develop and deliver leasing strategies.



Joint venture partnerships with like-minded investors to identify, secure and capitalise on investment opportunities.



Effective alignment of interests through co-investment and performance-based rewards.

Our Approach

The pricing of real estate is inefficient which provides us with the opportunity to identify and deliver value-enhancing investments.

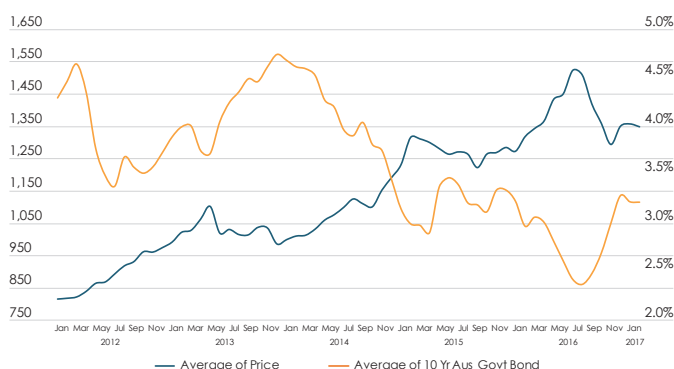
Real estate is an asset class subject to cycles depending on underlying supply and demand fundamentals in the financial, property and occupier markets. We acknowledge this by considering each investment from a macro-perspective (i.e. economic conditions, interest rates, inflation, and capital flows) and a micro-perspective (i.e. local demand and supply drivers, quality of the property, and building condition and specifications).

This approach ensures that each investment has a documented and robust asset management plan

and investment strategy (reviewed annually) dealing with:

- Timing of the acquisition (entry price)
- Funding strategies and the efficient allocation of capital (equity) and financial leverage (debt)
- Identification of strengths, opportunities to add value, threats and weaknesses
- Identification of risks and mitigation strategies for these risks
- Investment horizon and exit strategies (exit price)

ASX LISTED PROPERTY FUNDS VS 10 YR AUSTRALIAN BONDS



BANK BILL SWAP RATE (BBSW)



Case Studies

RE-POSITIONING	CAPITAL PROTECTION	STRATEGIC LEASING
HURSTVILLE CENTRAL SHOPPING CENTRE, HURSTVILLE, NSW	1805 IPSWICH ROAD, ROCKLEA, QLD	1 CLYDE STREET, SILVERWATER, NSW
		
STRATEGY		
<ul style="list-style-type: none"> – Underperforming asset – Re-position – Capitalise on fast growing population 	<ul style="list-style-type: none"> – Undervalued asset following flood incident – Mitigate financial exposure 	<ul style="list-style-type: none"> – Asset with short Weighted Average Lease Expiry (WALE) – Re-lease or sub-division
DELIVERY		
<ul style="list-style-type: none"> – Full refurbishment – Secured anchor tenant 	<ul style="list-style-type: none"> – Flood and asbestos insurance – Targeted capital expenditure 	<ul style="list-style-type: none"> – Secured new six year lease – Negotiated sale to owner occupier
VALUE ADDED		
<ul style="list-style-type: none"> – Significant net income increase – Significant capital value increase – Investor rolling Internal Rate of Return (IRR) >\$35% 	<ul style="list-style-type: none"> – Capital value uplifted – Early realisation achieving >\$19% IRR 	<ul style="list-style-type: none"> – Early realisation achieving >\$28% IRR

Industry Relationships

Our transparent corporate culture fosters long-term relationships with industry partners that are built on mutual trust, integrity and honesty. This has been instrumental to our success. Our authenticity and ability to go the extra mile will continue to be what drives us forward in the future.

We pride ourselves on our strong and trusting relationships with industry partners, including co-investors and joint venture partners, as well as bankers, equity providers and tenants. We offer a hands-on approach in all dealings with our industry partners, investing the necessary time and commitment required to ensure successful outcomes. In turn, our dedication and genuine approach has allowed us to reap the rewards of long-standing relationships and a high degree of loyalty amongst our co-investors and joint venture partners.

INDUSTRY PARTNERS



Investment Team

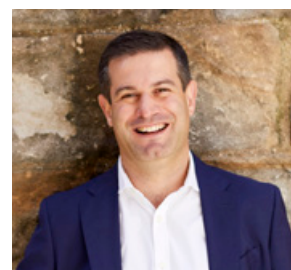
Michael Figg Director



Michael Figg started the Cerno Group with Co-Director Paul Di Cristo in 2004. Michael has over 30 years' experience in the property sector, with broad exposure across finance and accounting, airfreight, heavy engineering, construction, property investment and development, and property funds management. This experience covers investments and developments in a variety of ownership structures including simple partnerships, complex structured joint ventures and listed property entities. Michael is a qualified chartered accountant.

Paul Di Cristo Director

Paul founded the Cerno Group with Co-Director Michael Figg in 2004 and has been instrumental in building a team of skilled development and project managers to assist in delivering Cerno's successful projects to date. Paul has a Bachelor of Building (Construction Management) degree and over 17 years of experience in the construction industry, covering a range of property-related disciplines including project and development management, property investment, and facility and asset management. Paul's hands-on approach ensures clients' objectives are realised through the successful delivery of each project.



Bevan Douse Senior Manager – Capital and Investments



With a long-held passion for business, accounting and finance, Bevan has strong strategic, funding and performance measurement skills and is adept at pitching to clients, building relationships and generating deal flow. With a background working for a global consulting firm and large private property group, Bevan is also a chartered accountant and qualified financial analyst, and holds a Bachelor of Business in Accounting & Financial Management.

Properties

CURRENT PORTFOLIO

9 VANESSA ROAD, CAMPBELLFIELD, VIC



The property is located in Victoria, in the Campbellfield industrial precinct. Campbellfield is north of the Melbourne CBD with direct access to Melbourne's main northern arterial roadway, the Hume Highway.

The site is 27,950 square metres (sqm) with a net lettable area (NLA) of 10,282 sqm, offering a freestanding manufacturing/warehouse facility which incorporates a two level office building and hardstand.

The property is occupied by Orora Limited (formerly known as Amcor) on a long-term lease.

SECTOR	INDUSTRIAL
NET ASSET BACKING PER UNIT	\$1.01
LOAN TO VALUE RATIO	51%
CAPITALISATION RATE	8.00%
OCCUPANCY	100%
WEIGHTED AVERAGE LEASE EXPIRY	7.2 YEARS
MAJOR TENANTS	ORORA LTD
INVESTOR ROLLING INTERNAL RATE OF RETURN ¹	18.8%

¹ If the asset was sold at current valuation.

MAJOR TENANTS



16 GALLEGHAN STREET, HEXHAM, NSW



The property is located in New South Wales, in the Hexham industrial area of Newcastle, approximately 17 kilometres (km) northwest of the Newcastle CBD, and 6 km east of the M1 Motorway.

The site is 2.98 hectares, with a NLA of 15,069 sqm, comprising a warehouse, office space and hardstand area including parking for 167 cars.

The property is leased to two tenants: Downer EDI Engineering Power Pty Limited, a wholly owned subsidiary of Downer EDI Limited; and Lion Dairy & Drinks, a wholly owned subsidiary of Lion Pty Ltd.

SECTOR	INDUSTRIAL
NET ASSET BACKING PER UNIT	\$1.00
LOAN TO VALUE RATIO	55%
CAPITALISATION RATE	9.50%
OCCUPANCY	100%
WEIGHTED AVERAGE LEASE EXPIRY	4.9 YEARS
MAJOR TENANTS	LION, DOWNER EDI
INVESTOR ROLLING INTERNAL RATE OF RETURN ¹	10.5%

¹ If the asset was sold at current valuation.

MAJOR TENANTS



43 MUNIBUNG ROAD, CARDIFF, NSW



The property is located in New South Wales, in the industrial area of Cardiff. Cardiff is one of the largest industrial estates in the lower Hunter area and viewed as a premium/preferred location for industrial users in the Newcastle market.

The site is 27,950 sqm with a NLA of 5,960 sqm offering warehouse, manufacturing, office, parking and hardstand facilities.

The property is occupied by Bluescope Steel Limited, Australia's largest steel company.

SECTOR	INDUSTRIAL
NET ASSET BACKING PER UNIT	\$1.29
LOAN TO VALUE RATIO	48%
CAPITALISATION RATE	8.75%
OCCUPANCY	100%
WEIGHTED AVERAGE LEASE EXPIRY	3 YEARS
MAJOR TENANTS	BLUESCOPE
INVESTOR ROLLING INTERNAL RATE OF RETURN ¹	12.7%

¹ If the asset was sold at current valuation.

MAJOR TENANTS



Properties

CURRENT PORTFOLIO

233 SHELLHARBOUR ROAD,
PORT KEMBLA, NSW



The property is located in New South Wales, in the established industrial area of Port Kembla, 8 km south of Wollongong CBD. The property has access to the Port Kembla port, major arterial roads and freeway.

The site is four hectares, with a NLA of 7,176 sqm, offering office, warehouse, hardstand and car park facilities.

The property is tenanted to Wallenius Wilhelmsen Logistics Australia Pty Ltd (WW), a wholly owned subsidiary of Wallenius Wilhelmsen Logistics, located in Oslo, Norway.

SECTOR	INDUSTRIAL
NET ASSET BACKING PER UNIT	\$1.36
LOAN TO VALUE RATIO	31%
CAPITALISATION RATE	9.50%
OCCUPANCY	100%
WEIGHTED AVERAGE LEASE EXPIRY	0.2 YEARS
MAJOR TENANTS	WALLENIUS WILHELMSEN
INVESTOR ROLLING INTERNAL RATE OF RETURN ¹	9.7%

¹ If the asset was sold at current valuation.

MAJOR TENANTS



45 MUNIBUNG ROAD,
CARDIFF, NSW



The asset comprises a 6,256 sqm warehouse with adjoining office and another 1,007 sqm warehouse at the rear of the site (offering separate road access).

Value will be added to the asset by building a new awning and concrete hardstand and by sub-dividing the rear of the property for future development.

SECTOR	INDUSTRIAL
NET ASSET BACKING PER UNIT	\$1.00
LOAN TO VALUE RATIO	55%
CAPITALISATION RATE	7.64%
OCCUPANCY	100%
WEIGHTED AVERAGE LEASE EXPIRY	8 YEARS
MAJOR TENANTS	LION
INVESTOR ROLLING INTERNAL RATE OF RETURN ¹	8.0%

¹ If the asset was sold at current valuation.

MAJOR TENANTS



55 SWANSTON STREET
MELBOURNE, VIC



The building is located on the corner of Swanston Street and Flinders Lane, in the CBD of Melbourne. The property benefits from a premium location positioned directly opposite City Square and the Westin Hotel. The property is also in close proximity to Federation Square and Flinders Station.

The property comprises five strata floors in a 13 storey C grade commercial building.

Eight of the 13 commercial floors were sold following sub-division approval between 2006 and 2009. The top three floors and levels eight and nine were retained as a long-term investment.

SECTOR	COMMERCIAL
NET ASSET BACKING PER UNIT	\$120.831
LOAN TO VALUE RATIO	49%
CAPITALISATION RATE	7.51%
OCCUPANCY	100%
WEIGHTED AVERAGE LEASE EXPIRY	4.1 YEARS
MAJOR TENANTS	VFS SERVICES, OPTUS MOBILE
INVESTOR ROLLING INTERNAL RATE OF RETURN ¹	>35%

¹ If the asset was sold at current valuation.

MAJOR TENANTS



Properties

CURRENT PORTFOLIO

HURSTVILLE CENTRAL, HURSTVILLE, NSW



The Centre is situated in New South Wales in the local area of Hurstville, approximately 23 km south-west of the Sydney CBD. The site straddles the Hurstville railway station and is situated in a prominent position within one of the main retail strips in the local area.

The site is 15,211 sqm with a NLA of 6,633 sqm, offering retail and office facilities.

Hurstville Central is anchored by a Coles supermarket, mini-major retailers, a number of speciality tenancies, kiosks and office tenancies, together with rooftop car parking catering for approximately 236 vehicles.

SECTOR	RETAIL
NET ASSET BACKING PER UNIT	\$12.85
LOAN TO VALUE RATIO	34%
CAPITALISATION RATE	6.54%
OCCUPANCY	99.12%
WEIGHTED AVERAGE LEASE EXPIRY	5.7 YEARS
MAJOR TENANTS	COLES, PRICELINE
INVESTOR ROLLING INTERNAL RATE OF RETURN ¹	>35%

¹ If the asset was sold at current valuation.

MAJOR TENANTS



SOLD PROPERTIES

1805 IPSWICH ROAD, ROCKLEA, QLD



The property is located in Queensland in the Rocklea industrial area of Brisbane. Rocklea is approximately 12 km from the Brisbane CBD and forms part of Brisbane's south western industrial corridor orientated around the strong access afforded by the Ipswich Motorway and intermodal rail/road exchange at Acacia Ridge.

The site is 5.31 hectares with a NLA of 8,500 sqm, offering warehouse, offices, showroom and hardstand facilities.

The property is occupied by Iveco Trucks Australia Pty Ltd (Iveco), who retails trucks and other commercial vehicles along with providing parts support and ongoing maintenance to vehicle owners.

SECTOR	COMMERCIAL
MAJOR TENANTS	IVECO
INVESTOR ROLLING INTERNAL RATE OF RETURN	>19%

MAJOR TENANTS



1 CLYDE STREET, SILVERWATER, NSW



The property is located in New South Wales, in the sought after industrial precinct of Silverwater. Silverwater is in the central west of Sydney.

The site is 7,269 sqm, with a NLA of 5,201 sqm offering warehouse, office and hardstand facilities.

The property is tenanted by Hills Holdings Limited, a diversified investment company operating in Australia and New Zealand within the lifestyle and sustainability, electronics and communication, and the building and industrial industry segments.

SECTOR	INDUSTRIAL
MAJOR TENANTS	HILLS HOLDINGS
INVESTOR ROLLING INTERNAL RATE OF RETURN	28%

MAJOR TENANTS



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