Northington Partners

Investore Property Limited

Independent Appraisal Report

Prepared in Relation to the Proposed Acquisition of three Properties from Stride Property Limited and Stride Holdings Limited

December 2019

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Abbreviations and Definitions

Acquisition Properties	The three properties located at 2 Carr Road, Mt Roskill, Auckland; 295 Penrose Road, Mt Wellington, Auckland; and 65 Chapel Street, Tauranga
Appraisal Report	This report prepared by Northington Partners
Argosy	Argosy Property Limited
Asset Plus	Asset Plus Limited
Augusta	Augusta Capital Limited
Briscoe Group	Briscoe Group Limited, the parent company of the retailing interests in Briscoes and Rebel Sport
Bunnings	Bunnings Limited
Company	Investore Property Limited
DPPS	Distributable profit per share
Equity Capital Raising	The $65.0 million share placement completed on 19 November 2019 and the retail offer of $12.7 million which closed 4 December 2019 undertaken by Investore, collectively raising gross proceeds of $77.7 million
FY	In relation to Investore, financial year ending 31 March
General Distributors	General Distributors Limited, a subsidiary of Progressive Enterprises Limited and operator of Countdown supermarket
Goodman	Goodman Property Trust
Investore	Investore Property Limited
IPO	Initial public offering
Kiwi Property Group	Kiwi Property Group Limited
LFR	Large format retail as defined by Investore
LPV	Listed property vehicle
LVR	Loan to value ratio being drawn borrowings over the value of investment property
Management Agreement	The management agreement between SIML and Investore whereby SIML manages Investore in return for management fees
Manager	SIML, the manager of Investore
NAV	Net asset value
NLA	Net lettable area (in sqm)
Northington Partners	Northington Partners Limited
Notice of Special Meeting	The notice of special meeting of Investore shareholders and accompanying material in relation to the Proposed Transaction
NZ Post	New Zealand Post Limited
NZX	NZX Limited
OIO	Overseas Investment Office
PFI	Property for Industry Limited
Precinct	Precinct Properties New Zealand Limited
Proposed Transaction	The acquisition of the Acquisition Properties as described in this Appraisal Report
Savills	Savills (NZ) Limited, the property valuer of the Acquisition Properties in relation to the Proposed Transaction
SCA Properties	The 14 properties acquired by Investore from Shopping Centres Australasia in 2016
SHL	Stride Holdings Limited
SIML	Stride Investment Management Limited
Sqm	Square meters
SPL	Stride Property Limited
Vital Healthcare	Vital Healthcare Property Trust
WALT	Weighted average lease term

1.0 Executive Summary

1.1. Introduction

Investore Property Limited (“**Investore**” or the “**Company**”) is a large format retail (“**LFR**”) property fund that is listed on the main board of the NZX. Investore is externally managed by Stride Investment Management Limited (“**SIML**”), the real estate management business of the stapled group which comprises Stride Property Limited (“**SPL**”) and SIML (together “**Stride Property Group**”). Investore was listed by SPL in 2016 following the demerger of SPL’s LFR properties and the acquisition of certain other LFR properties partially funded through its $185 million initial public offering (“**IPO**”). Following the IPO, SPL retained a 19.9% shareholding in Investore.

Investore has now reached a conditional agreement whereby it will acquire a total of three properties (the “**Acquisition Properties**”) from SPL and its subsidiary, Stride Holdings Limited (“**SHL**”), for a total purchase price of $140.75 million (the “**Proposed Transaction**”). The Acquisition Properties consist of:

- 2 Carr Road, Mt Roskill, Auckland (“**Bunnings Carr Road**”): a LFR property leased to Bunnings Limited (“**Bunnings**”);
- Mt Wellington Shopping Centre, Mt Wellington, Auckland (“**Mt Wellington Shopping Centre**”): a convenience retail shopping centre anchored by Countdown; and
- Bay Central Shopping Centre, 65 Chapel Street, Tauranga (“**Bay Central Shopping Centre**”): an LFR shopping centre anchored by Briscoe Group (operating as Briscoes and Rebel Sport) and NZ Post.

The vendors to the Proposed Transaction, SPL and SHL, are related parties of Investore for the purposes of the NZX Listing Rules and, because the Proposed Transaction constitutes a material transaction with a related party under NZX Listing Rule 5.2.1, it must be approved by an ordinary resolution of Investore’s shareholders (other than SPL or any Director of SPL). As part of that process, Investore has appointed Northington Partners Limited (“**Northington Partners**”) to prepare an Appraisal Report for the benefit of Investore shareholders not associated with SPL. The main purpose of the report is to assist those shareholders to decide whether or not to approve the Proposed Transaction.

The Proposed Transaction has been partially pre-funded by an underwritten share placement of $65 million and retail offer of $12.7 million at an issue price of $1.75 per Investore share (collectively, the “**Equity Capital Raising**”), both of which completed prior to settlement of the Acquisition Properties. The Equity Capital Raising provides Investore with substantial headroom under its committed debt facilities to fund the Proposed Transaction once the conditions of the transaction have been satisfied. Therefore, while the Proposed Transaction is conditional on shareholder approval, Investore has already raised $77.7 million of new equity, irrespective of whether the Proposed Transaction is approved.

As set out in more detail in Section 2.0, this report has been prepared in accordance with the requirements of NZX Listing Rule 7.10.2.

1.2. Summary of the Proposed Transaction

A summary of the purchase prices under the Proposed Transaction and implied passing yields for the Acquisition Properties is set out in Table 1 below, along with the independent property valuations provided by Savills (NZ) Limited (“**Savills**”) to Investore as part of the Proposed Transaction. The purchase prices for the Acquisition Properties is equivalent to their current market valuations and implies a passing yield of 6.03%, consistent with the passing yield of Investore’s existing portfolio of 6.04%.

We note that the conditions of sale and purchase for the Proposed Transaction have largely been satisfied other than approval by Investore shareholders and Overseas Investment Office (“**OIO**”) approval. Subject to shareholder and OIO approval, Investore expects settlement of the Acquisition Properties will occur on either the later of 1 April 2020 or the last day of the month following the date

Investore obtains OIO consent (or where that date is less than 10 working days prior to month end, the last day of the following month). Further details about the Acquisition Properties and the Proposed Transaction terms can be found in Section 5.0.

Table 1: Summary of Purchase Price and Implied Yield Relative to Acquisition Property Valuations

Property	Valuation Date	Valuation ($m)	Purchase Price ($m)	Net Contract Rent ($m)[1]	Passing Yield at Purchase Price[2]
Bunnings Carr Road	Oct-19	$48.50	$48.50	$2.34	4.79%
Mt Wellington Shopping Centre	Oct-19	$39.25	$39.25	$2.62	6.71%
Bay Central Shopping Centre	Nov-19	$53.00	$53.00	$3.54	6.67%
Total		**$140.75**	**$140.75**	**$8.49**	**6.03%**

[1] As at 30 September 2019 and including the vendor underwrite in respect of four vacant specialty tenancies.
[2] Based on current net contract rents prior to expected development works at Bunnings Carr Road.

1.3. Summary of our Assessment of the Proposed Transaction for Investore Shareholders

Our full assessment of the merits of the Proposed Transaction for Investore shareholders is set out in Section 6.0, and summarised below in Table 2.

Table 2: Summary of Conclusions

Item	Key Conclusions	Further Information
Purchase Terms	▪ Savills has assessed an aggregate value for the Acquisition Properties of $140.75 million (as at 30 October 2019) on an "as if complete" basis. ▪ Under the terms of the Proposed Transaction, SPL has committed to pay for certain seismic strengthening works at the Acquisition Properties. SHL has also committed to pay costs to complete extensions and reconfiguration works of the Rebel Sport and Briscoes tenancies at Bay Central Shopping Centre. SPL/SHL have also agreed to provide an underwrite with respect to four vacant specialty tenancies for a period of up to two years. ▪ The proposed purchase price of $140.75 million is equivalent to the independent valuations of the Acquisition Properties. In addition, it is broadly equivalent to the SPL carrying value of the Acquisition Properties as of 30 September 2019 ($131.2 million) after allowing for the remaining "as if complete" works and maximum potential costs under the rental underwrite.	Section 6.1
Financial Impact	▪ We estimate that if the Proposed Transaction is approved, it may be expected to increase Investore's FY2021 distributable profit by approximately $2.8 million. Investore expects that the combination of the Proposed Transaction with the Equity Capital Raising, is expected to increase distributable profit per share ("**DPPS**") by approximately 2.5%[1]. ▪ Following completion of the Proposed Transaction, Investore's LVR is expected to be approximately 41.5% (on a pro-forma basis) relative to 40.6% as of 30 September 2019 prior to the Equity Capital Raising (assuming a net $75.8 million is raised under the Equity Capital	Section 6.2

[1] DPPS accretion based on calculating Investore's budgeted DPPS prior to the Proposed Transaction and Equity Capital Raising against the DPPS including the Proposed Transaction and Equity Capital Raising. DPPS following the Proposed Transaction and Equity Capital Raising is calculated on a pro-forma basis assuming the Proposed Transaction settles in April 2020 for the Acquisition Properties, $77.7 million gross proceeds are raised under the Equity Capital Raising and based on implementation of interest rate hedging strategies. The actual level of earnings will vary depending on the actual settlement date and the incremental cost of debt at settlement.

Item	Key Conclusions	Further Information
	Raising). This remains comfortably below the Investore Board's stated LVR maximum of 48% and banking and bond covenant of 65%. ▪ Conversely, if the Proposed Transaction does not proceed (because the ordinary resolution is not passed), Investore's FY2021 DPPS would reduce relative to Investore's FY2019 DPPS (8.0 cents per share) due to the dilutive impact of the Equity Capital Raising. However, Investore's LVR will also reduce to 30.5% on a pro-forma basis. ▪ While the impact of the Proposed Transaction not proceeding would in the short term reduce DPPS (and potentially dividends) and result in a more conservative balance sheet, this outcome would also provide Investore with the flexibility to pursue other LFR investment opportunities. Investore is continuously assessing an active pipeline of opportunities which should negate the short-term dilutive impact of the Equity Capital Raising if the Proposed Transaction does not proceed.	
Strategic Fit	▪ The Proposed Transaction is consistent with Investore's stated strategic objectives at the time of its IPO to continue to invest in LFR property. ▪ The Proposed Transaction is also consistent with Investore's strategy for targeted growth which adds scale benefits, enhances tenant diversification and increases geographic exposure to growth regions (Auckland and Tauranga). ▪ However, while the Bunnings Carr Road property is clearly most consistent with Investore's existing portfolio, the Mt Wellington Shopping Centre and Bay Central Shopping Centre have some different characteristics. ▪ Investore has a constitutional restriction limiting its investment to "Permitted Business Activities", being the sole purpose of owning and leasing properties that are predominantly LFR or which can be developed into LFR. ▪ Investore broadly defines LFR as large free-standing buildings with a limited number of tenants (generally no more than 15 specialty tenants), the anchor tenant(s) of which typically occupies at least 2,000sqm, more than 50% of the net lettable area and provides more than 50% of the rental income, often resulting in properties with relatively long WALTs and stable income streams. ▪ The Mt Wellington Shopping Centre's anchor tenant is Countdown which, while occupying approximately 61% of the net lettable area, contributes about 43% of the rental income. It also has 21 specialty retail tenants and a WALT of 3.1 years[2]. This number and mix of tenants is not too dissimilar, and is complementary with, Investore's existing Countdown Takanini property (approximately 7,300 sqm and 11 specialty tenants). Similarly, the Bay Central Shopping Centre's anchor tenants are Briscoe Group and NZ Post which occupy approximately 46% of the net lettable area and contribute 32% of the rental income. This centre has 27 specialty retail tenants with a WALT of 4.2 years[3]. ▪ The Mt Wellington Shopping Centre and Bay Central Shopping Centre therefore represent a different type of asset to the Bunnings Carr Road property and the majority of Investore's existing portfolio (except for Countdown Takanini which shares similar aspects to Mt Wellington Shopping Centre). ▪ We note that the Mt Wellington Shopping Centre and Bay Central Shopping Centre represent properties with some LFR characteristics. The major tenants outside the anchor tenants include nationally recognised "big box" retailers (such as Super Cheap Auto, Freedom Furniture, Kitchen Things, Chipmunks and Hunting and Fishing), which	Section 6.3

[2] Mt Wellington Shopping Centre rental percentages and WALTs calculated on the basis of contract rents and lease terms as at 30 September 2019.

[3] Bay Central Shopping Centre rental percentages and WALTs calculated on the basis of contract rents at lease terms as at 30 September 2019. WALT as at 31 October 2019 has improved to 4.8 years, due to a new lease to the Chamber of Commerce commencing 1 November 2019 for a period of 10 years.

Item	Key Conclusions	Further Information
	occupy NLAs of over 500sqm and represent largely convenience retail rather than fashion and apparel retail. ▪ The Acquisition Properties are also consistent with the broader definition of LFR often used in other markets such as Australia, where they were formerly known as bulky goods centres. Given that SPL's intention was always to hold its exposure in LFR through Investore, it was relatively well signalled that SPL's LFR assets would likely be divested to Investore. Following the Proposed Transaction, all of the LFR properties previously owned by SPL will be held through Investore. ▪ We also note that the Proposed Transaction has been negotiated on arms' length terms by Investore's independent directors who have undertaken a thorough review of the Acquisition Properties and concluded they were an appropriate fit with Investore's LFR investment strategy.	
Operational Impact	▪ The Proposed Transaction strengthens Investore's longstanding relationship with Countdown (while reducing its overall exposure from 73% to 64% of rental income as at 30 September 2019 on a pro-forma basis) and increasing exposure to Bunnings. It also improves portfolio diversification via the addition of new nationally recognised tenants; Briscoe Group, NZ Post and Freedom Furniture. In addition, the Acquisition Properties provide Investore with further exposure to the key Auckland market while providing an entrance into the attractive Tauranga market. ▪ While the Acquisition Properties have shorter WALTs (weighted average of 4.8 years as at 30 September 2019), they only modestly reduce Investore's overall portfolio WALT. Following completion of the Proposed Transaction, Investore would still retain the second highest WALT in the LPV sector of 10.8 years on a pro-forma basis, as at 30 September 2019, while also maintaining high occupancy levels of 99.7%. ▪ Investore's LFR strategy seeks to reduce lifecycle costs (including capital expenditure and maintenance expenditure). The Mt Wellington Shopping Centre and Bay Central Shopping Centre introduce 48 new specialty retailers to Investore's portfolio. This is likely to require more regular leasing activity and potential refurbishment costs in order to maintain existing or attract new tenants. However, this should be more than offset by the scale and other operating benefits from the Proposed Transaction and is reflected in the value of these properties.	Section 6.4

1.4. Conclusion Regarding the Fairness of the Proposed Transaction

Taking all of the key elements of the Proposed Transaction into account, we conclude that the consideration and terms and conditions are fair to the Investore shareholders not associated with SPL. When taken as a whole, the Acquisition Properties are consistent with a broader definition of LFR and provide a number of other strategic benefits. These benefits include enhanced scale, Investore's first exposure to the high growth Tauranga market (Bay Central Shopping Centre) and increased tenant diversification.

Given that the recent share placement component of the Equity Capital Raising received strong support from existing shareholders in Investore and the dilutive impact of the Proposed Transaction not occurring (in the absence of alternative acquisition pipeline opportunities), we expect there is a likely to be high support for the Proposed Transaction.

Shareholders should always consider their own investment objectives before deciding on how they vote for the Proposed Transaction.

2.0 Scope of the Report

2.1. Regulatory Requirements

2.1.1. NZX Listing Rule Requirements

The Proposed Transaction is subject to rule 5.2 of the NZX Listing Rules. Pursuant to the NZX listing Rules, Investore may not enter into a Material Transaction with a Related Party (ie. SPL and SHL) unless that transaction is approved by an ordinary resolution of shareholders not associated with the Related Party.

A "Material Transaction" for the purposes of the NZX Listing Rules includes the acquisition or disposal of assets having an aggregate net value in excess of 10% of the average market capitalisation of the Company. Under the Proposed Transaction, Investore would make a payment of $140.75 million for the Acquisition Properties, representing approximately 29% of Investore's average market capitalisation[4].

NZX Listing Rule 7.8.8 requires that the notice of special meeting to consider the ordinary resolution referred to above must be accompanied by an Appraisal Report, prepared by an independent adviser to opine on the fairness of the transaction to shareholders not associated with the relevant related party. This report is therefore addressed to the independent directors of Investore for the benefit of shareholders not associated with SPL.

The report should not be used for any other purpose and should be read in conjunction with the declarations, qualifications and consents set out in Appendix 2.

2.1.2. Declarations

Pursuant to Listing Rule 7.10.2, we state that:

(i) In our opinion, the consideration and the terms and conditions of the Proposed Transaction are fair to shareholders of Investore other than those associated with SPL. The grounds for this opinion are set out in this report;

(ii) We believe that the shareholders entitled to vote on the resolution in relation to the Proposed Transaction will be provided with sufficient information to understand all relevant factors and on which to make an informed decision. The two main sources of information are this report and the Notice of Special Meeting;

(iii) We confirm that we have been provided with all of the information that we believe is required for the purposes of preparing this report; and

(iv) The material assumptions on which our opinion has been based are clearly set out in the body of this report.

2.2. Basis of Assessment and Evaluation

The content required to be included in the Appraisal Report pursuant to the NZX Listing Rules is clearly set out in rule 7.10.2. Among other things, the Appraisal Report must state whether or not the reporter considers that the terms and conditions of the proposed transaction are "*fair*" to the Company's shareholders other than those shareholders (if any) that may be associated with the related parties to the transaction. Although there is no statutory definition of "*fair*" or any specific guidance provided in the NZX Listing Rules, our assessment of the fairness of the Proposed Transaction is based on a consideration of:

- The consequences for the existing shareholders if the Proposed Transaction is approved or not approved; and
- The overall terms of the Proposed Transaction.

[4] Based on the 20-day volume weighted average price of Investore shares traded on the NZX up to 18 November 2019, being the last trading day before the announcement of the Proposed Transaction.

Northington Partners has evaluated the Proposed Transaction by reviewing the following factors:

- The assessed value of the Acquisition Properties relative to the consideration being paid;
- The impact of the Proposed Transaction on Investore's financial metrics such as debt LVR levels, earnings per share and NAV per share;
- Whether the Acquisition Properties is broadly consistent with Investore's LFR investment strategy;
- The impact of the Proposed Transaction on operational factors including the fit with Investore's stated investment strategy, as well as the geographic spread, tenant weightings and weighted average lease terms of the Investore portfolio; and
- Other considerations that may be necessary for shareholders to make an informed decision in relation to the Proposed Transaction.

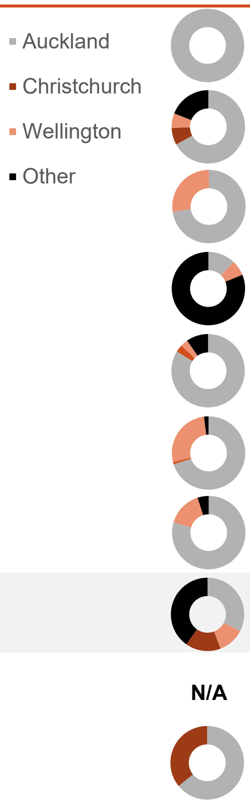
3.0 Overview of the New Zealand Listed Property Sector

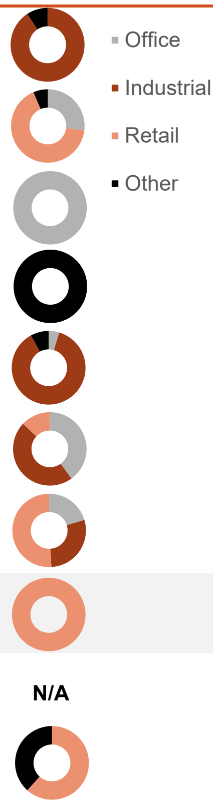
3.1. Industry Overview

Table 3 summarises the entities operating in the New Zealand listed property sector by size, sector focus, and geographic focus. The table also highlights that several entities have a primary focus on one property type; these include PFI and Goodman (industrial), Precinct (office), Vital (medical properties) and Investore (LFR). The remainder are largely diversified across a combination of property types.

Table 3: Listed Property Vehicles ("LPVs") on the NZX

Entity	Entity Type	Market Capitalisation	Geographic Exposure[2]	Sector Exposure
Goodman	Trust	$2,917m		
Kiwi Property	Company	$2,407m		
Precinct	Company	$2,319m		
Vital	Company	$1,207m		
PFI	Trust	$1,162m		
Argosy	Company	$1,154m		
Stride Property Group	Stapled Group	$804m		
Investore	Company	$460m		
Augusta[1]	Company	$126m	N/A	N/A
Asset Plus	Company	$102m		





Source: Annual Reports, Company announcements and presentations of each LPV, Capital IQ. Market Capitalisation as of 21 November 2019.
[1] Augusta does not directly own an investment property portfolio.
[2] Any properties classified as 'held for sale' have been excluded from Geographic and Sector Exposure charts

3.2. Key Metrics for each Listed Entity

Table 4 sets out some of the key metrics for each LPV including relative portfolio size, weighted average lease term ("**WALT**"), market price relative to net asset value ("**NAV**") and gearing levels. All else being equal, LPVs seek to maximise occupancy, extend the WALT of the portfolio and smooth the lease expiry profile, while also optimising equity returns through the use of an appropriate level of gearing. As illustrated in Table 4, Investore exhibits higher occupancy and longer lease terms than most of its peers and is therefore in a position to maintain a relatively higher gearing (LVR) level.

Table 4: Key Metrics for New Zealand LPVs

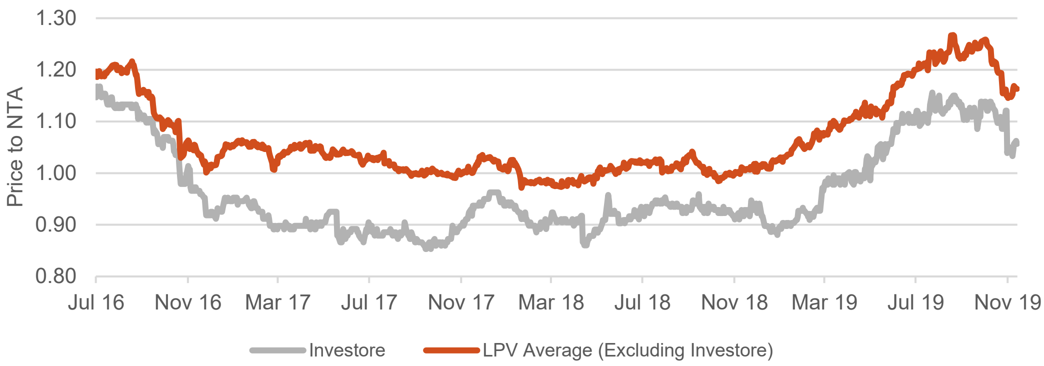
Entity	Portfolio Value	No. of Props	Avg. Property Value	Portfolio Cap Rate	Occupancy Rate	WALT	Price to NAV	LVR
Kiwi Property	$3,324m	12	$277m	6.0%	99.4%	5.1	1.09x	34.0%
Goodman	$3,032m	10	$30m	5.3%	99.5%	5.5	1.15x	19.5%
Precinct	$2,794m	14	$200m	5.7%	99.0%	9.0	1.19x	29.2%
Vital	$1,836m	42	$44m	5.6%	99.4%	18.1	1.14x	42.3%
Argosy	$1,778m	59	$30m	6.4%	97.6%	6.0	1.07x	39.1%
PFI	$1,368m	94	$15m	6.1%	99.7%	5.7	1.23x	32.4%
Stride	$999m	26	$38m	6.4%	98.2%	4.5	1.12x	35.3%
Investore	$751m	40	$19m	6.0%	99.7%	11.9	1.05x	40.6%
Asset Plus	$182m	4	$46m	7.4%	98.0%	4.2	0.92x	38.0
Average	$1,781m	33	$77m	6.1%	98.9%	7.8	1.11x	34.6%

Source: Annual and interim financial reports, company announcements and presentations of each LPV, Capital IQ. Market data as of 1 December 2019.

[1] Gearing is calculated as net interest-bearing debt / cash (excluding IFRS-16 lease liabilities) and interest rate hedge liabilities / investment property portfolio value (except in the case of Investore, which is calculated as its LVR).

Figure 1 sets out Investore's historical price to NAV ratio since its listing on 12 July 2016, along with the sector average ratio over the same period. This shows that Investore has historically traded at a discount to the broader property sector since its listing. Having generally traded within a range between 0.85x and 0.95x over 2017 and 2018, Investore's multiple of NAV has expanded significantly over 2019 and currently trades at 1.04x compared to the sector index-weighted average of 1.11x.

Figure 1: Price to NAV since July 2016 IPO for Investore and the Listed Property Sector (as of 3 December 2019)



Source: Capital IQ, Northington Partners Analysis. LPV average based on index weighted average. No adjustment to Investore's NAV has been made for the impact of the recent Equity Capital Raising.

4.0 Profile of Investore

4.1. Overview of the Company

Investore is New Zealand's only listed property company with an investment strategy focussed on the LFR property sector. LFR properties are generally characterised by:

- Limited number of specialty retail tenants (generally no more than 15) with the anchor tenant occupying more than 50% of the net lettable area and contributing more than 50% of the rental income. This ensures the majority of rental income is received from lease arrangements with nationally recognised retailers.
- The anchor tenant(s) net lettable area is usually more than 2,000 sqm, with specialty tenants typically occupying more than 150 sqm, although in some limited cases this may be as small as 60 sqm or less.
- Physically, building improvements which are typically large, free-standing, "big-box" structures built on concrete slab foundations. The building improvements are relatively modest and therefore minimise lifecycle maintenance and capital expenditure requirements and are well serviced by convenient vehicle carparking on-site.
- The potential for some properties to be converted into LFR through asset management activities, such as change of use, leasing, development and redevelopment initiatives. Alternatively, the property is located adjacent or adjoining to existing assets which provides the opportunity for future redevelopment and improved returns to existing LFR properties.
- Property uses which include (but are not limited to) grocery, bulky goods retailing, general merchandise and convenience retailing.

Investore was incorporated in October 2015 to function as SPL's investment vehicle for LFR properties. Investore demerged from SPL on 12 July 2016, simultaneously undertaking an IPO on the NZX where it raised $185 million in new capital. Prior to the IPO, Investore held 25 properties consisting of 6 properties which had been transferred from SPL and 19 properties directly acquired from Antipodean Supermarkets Limited and Antipodean Properties Limited. As part of the transaction, the Company used the IPO proceeds to partly fund the acquisition of an additional 14 properties from ASX-listed Shopping Centres Australasia (the "**SCA Properties**") in July and September 2016.

Investore is externally managed by SIML, the real estate investment management arm of the stapled Stride Property Group. At the time of listing Investore through the demerger from SPL, SPL agreed that while SIML continued to manage Investore, SPL would (except in limited circumstances) hold its exposure in LFR properties through its shareholding in Investore.

4.2. Property Portfolio

As summarised in Table 5, Investore's current portfolio comprises 40 properties with an aggregate value of $750.6 million (as at 30 September 2019). Most of these properties (accounting for 73% of contracted rent) are supermarkets that are leased by General Distributors, the operator of Countdown. Other tenants include Bunnings, Foodstuffs (operator of New World and Pak n' Save), Mitre 10 and The Warehouse. The portfolio is well diversified geographically with approximately one-third of the properties (by value) located in Auckland, 16% Wellington and 12% Christchurch with the remaining located across other regional locations.

Table 5: Property Portfolio Summary by Major Tenant as at 30 September 2019

Anchor Tenant	Countdown	Bunnings	Foodstuffs	Mitre 10	The Warehouse[1]	Total
Number of properties	33	3	2	1	1	**40**
Number of Specialty Tenants	38	-	-	-	-	**38**
Property Value (m)	$579	$81	$44	$35	$11	**$751**
Net Lettable Area (sqm)	136,219	40,433	12,908	12,124	6,433[2]	**208,116**
Occupancy	99.5%	100.0%	100.0%	100.0%	100.0%	**99.7%**
WALT (Years)	12.6	10.2	10.0	11.2	1.8	**11.9**

Anchor Tenant Share of Gross Rental	73%	10%	5%	4%	3%	**95%**
Specialty Tenant Share of Gross Rental	5%	-	-	-	-	**5%**

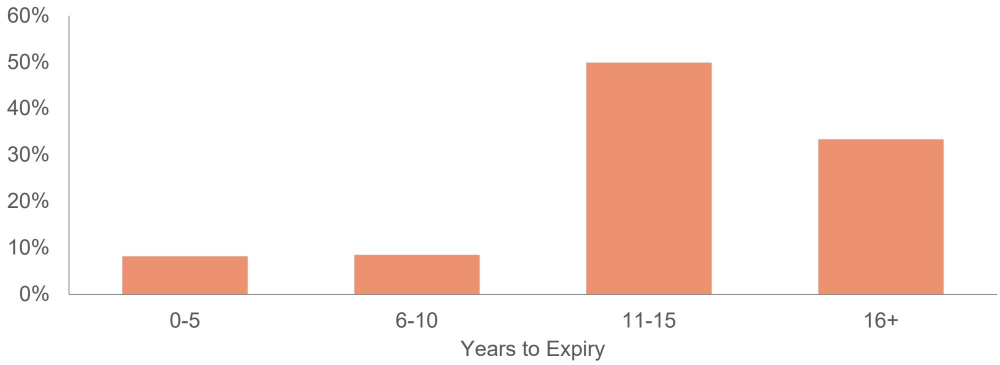
Source: Investore tenancy schedules, Annual Report FY19.

[1] *Johnsonville Road property (containing both Countdown and The Warehouse as major tenants) has been included in the Countdown category except for NLA.*

[2] *The Warehouse share of NLA at Johnsonville assumed at 2,084sqm.*

Figure 2 shows the lease expiry profile for leases in place as at 31 March 2019. As would be expected with Investore's tenants and the LFR focus, the profile is heavily skewed to long-dated arrangements, with the majority of leases expiring in 11 to 15 years' time. This means that Investore has the second longest weighted average lease term in the LPV sector of 11.9 years as of 30 September 2019.

Figure 2: Lease Expiry Profile (by Contract Rental) as at 30 September 2019



Source: Investore Interim Report 2019

4.3. Significant Historical Events

Key milestones in Investore's history since inception are summarised below.

Date	Event
Oct-15	Stride Property Group incorporated Investore as a subsidiary to invest in LFR property. Its initial holdings are 19 properties that made up the Antipodean Supermarkets Portfolio.
Apr-16 to Jun-16	SPL transfers six LFR properties to Investore.
Jun-16	Stride Property Group announces the IPO of Investore, alongside the acquisition of the 14 SCA Properties.
Jul-16	Investore lists on the NZX on 12 July 2017 at $1.49 a share after raising $185 million by way of IPO. Six of the 14 SCA Properties were acquired simultaneously.
Sep-16	Investore completes the acquisition of the remaining eight SCA Properties.
Nov-17	Investore enters into a conditional agreement to acquire three of SPL's remaining LFR properties leased to Bunnings.
Apr-18	Investore completes $100 million bond offer with a coupon rate of 4.40%.
Nov-19	Investore completes $65 million share placement and opens $15 million retail offer (with the ability to accept oversubscriptions of up to $5 million at Investore's discretion) to fund the proposed acquisition of the 3 Acquisition Properties from Sride.
Dec-19	Investore completes the retail offer, raising $12.7 million after scaling total applications of $14.6 million.

Source: Investore and Stride Property Group announcements and websites, Capital IQ.

4.4. Capital Structure and Ownership

As at 4th November 2019 prior to settlement of the share placement under the Equity Capital Raising, Investore had 260,075,613 ordinary shares on issue. Investore's shareholder base is relatively highly concentrated, with the top five shareholders holding 53% of shares on issue. The top five shareholders as at 4th November 2019 are set out in Table 6.

Table 6: Top 5 Shareholders

Shareholder	Shares Held	Shareholding Percentage
Stride Property Limited	52,091,786	19.90%
ANZ New Zealand Investments Limited	31,861,484	12.25%
Salt Funds Management Limited	23,914,812	9.12%
Accident Compensation Corporation	15,967,374	6.14%
Westpac Banking Corporation	15,697,171	6.04%
Top 5	**139,532,627**	**53.45%**
Other Minority Shareholders	120,542,986	46.55%
	260,075,613	**100.00%**

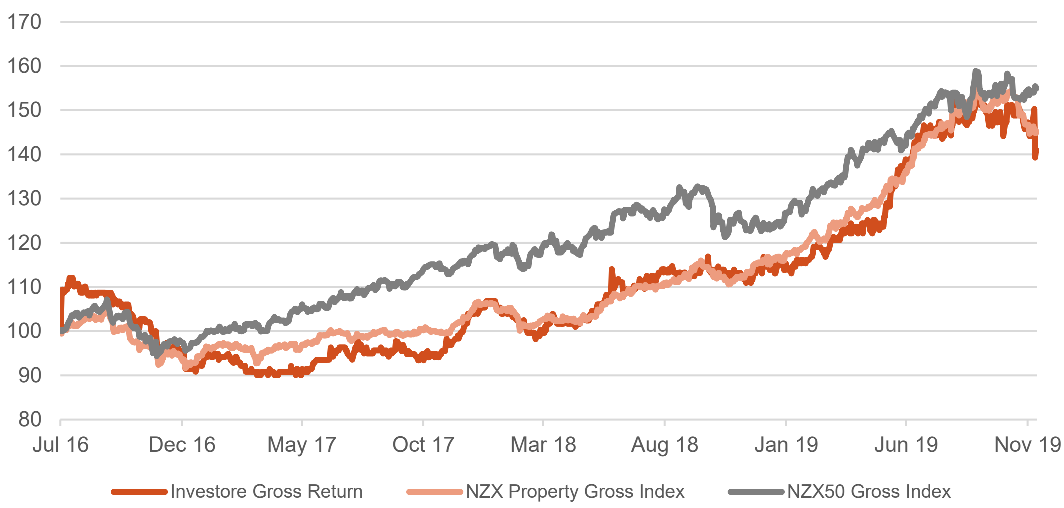
Source: IRESS, NZX Filings

Investore's largest shareholder is SPL, which retained a 19.9% shareholding following the IPO to ensure on-going alignment between Investore, SPL and SIML. The other four top shareholders are fund managers, which collectively own 34% of the shares on issue. There are no other substantial security holders (those with a beneficial interest of 5% or more). SPL participated in Investore's recent share placement to maintain its 19.9% shareholding (post placement but prior to the retail offer) while Investore's other substantial shareholders also participated.

4.5. Share Price Performance

Figure 3 summarises Investore's shareholder return performance for the period between listing (12 July 2016) and 22 November 2019, relative to the NZX Property Gross Index and NZX50 Gross Index (all inclusive of dividends). The property sector as a whole generally underperformed the broader market up until late 2018 but has since outperformed. Investore has generally performed in-line with the sector over most of this period. Since listing, Investore has delivered total annualised shareholder returns of 10.7%, compared to annualised returns for the NZX Property Gross Index of 11.7% and 13.9% for the NZX50 Gross Index over the same period.

Figure 3: Investore Total Shareholder Return Relative to NZX Property Gross Index (Rebased to 100)



Source: IRESS, Northington Partners. Period starting 11 July 2016 to 3 December 2019.

4.6. Summary Financial Results

4.6.1 Financial Performance

A summary of Investore's recent financial performance is set out in Table 7 below. This covers the full years to March 2017, 2018 and 2019 and the first half of 2020.

Table 7: Historical Financial Performance

(NZ$) millions	**FY2017**	**FY2018**	**FY2019**	**1H2020**
Rental Income	37.4	50.4	54.7	27.3
Direct property operating expense	(2.4)	(6.2)	(7.2)	(3.2)
Net Rental Income	**35.0**	**44.2**	**47.4**	**24.1**
Management fees	(2.7)	(3.7)	(4.1)	(2.0)
Manager performance fee	-	-	(0.5)	(1.0)
Other Operating Expenses	(2.0)	(1.8)	(1.5)	(1.0)
Reported profit before net finance costs, fair value movements and tax	**30.4**	**38.7**	**41.4**	**20.1**
Net finance costs	(13.3)	(11.9)	(14.4)	(7.2)
Unrealised fair value movement on derivative financial instruments	-	0.0	(0.1)	0.0
Unrealised fair value movement on investment properties	13.7	23.1	17.2	0.9
Gain on disposal of investment properties	-	2.9	-	-
Reported profit before tax	**30.8**	**52.9**	**44.1**	**13.8**
Tax expense	(2.3)	(6.7)	(5.5)	(2.8)
Reported profit after tax	**28.5**	**46.2**	**38.6**	**11.0**
Unrealised fair value on investment properties	(13.7)	(23.1)	(17.2)	(0.9)
Gain on disposal of investment properties	-	(2.9)	-	-
Net change in fair value of derivative financial instruments	-	-	0.1	-
Fixed rental expenses	(0.9)	(1.0)	(1.3)	(0.6)
Swap break increase	3.7	-	-	-
Borrowings establishment costs amortisation	-	0.3	0.6	0.3
IPO, Demerger and Acquisition transaction costs	0.9	-	-	-
Reversal of land lease liability movement in investment property	-	-	-	(0.1)
Refinancing cost amortisation	0.5	-	-	-
Deferred tax and other differences	(1.3)	1.2	0.2	0.1
Distributable profit after current income tax	**17.6**	**20.5**	**20.9**	**9.7**
Weighted avg shares (millions)	188.6	261.8	260.9	260.1
Distributable profit per share (cents)	9.35	7.85	8.01	3.74
Earnings per share (cents)	15.12	17.64	14.78	4.22
Dividends per share (cents)	5.35	7.46	7.60	3.80

Sources: Investore annual and interim reports and NZX announcements. Totals may not sum due to rounding.
Note: Investore adopted NZ IFRS-15, revenue from contracts with customers from 1 April 2018 and NZ IFRS-16, lease from 1 April 2019. Therefore, comparison with prior years may not be directly comparable.

The main features of Investore's historic financial performance can be summarised as follows:

- FY2017 understates Investore's core underlying earnings because the Company only acquired certain properties from SPL and the SCA Properties part way through the year;
- Net rental income has grown since inception as the property portfolio has grown and through rental growth;
- Investore's key performance measure, distributable profit has demonstrated respectable growth prior to performance fees payable to the manager; and

- As a result of Investore's strong shareholder returns over the last 12 months, performance fees were paid to SIML for the first time in 2H2019 ($0.5 million) with a subsequent performance fee paid in 1H2020 ($1.0 million).

4.6.2 Financial Position

A summary of Investore's financial position for the period FY2017 until first half 2020 is set out in Table 8.

Table 8: Historical Financial Position

(NZ$) millions	FY2017	FY2018	FY2019	1H2020
Assets				
Cash and cash equivalents	4.4	2.2	5.1	1.7
Trade and other receivables	0.4	0.2	0.4	0.1
Deferred tax asset	0.5	0.2	0.8	1.1
Other Assets	0.5	1.3	1.1	1.5
Investment Properties	660.4	738.3	742.1	758.3
Derivative Financial Instruments	2.7	0.6	1.3	2.2
Investment Property held for sale	-	-	19.0	-
Total Assets	**668.9**	**742.9**	**769.9**	**764.9**
Liabilities				
Trade and other payables	2.3	4.8	4.2	3.6
Derivative financial instruments	0.0	0.9	4.5	7.0
Current tax liability	1.3	1.4	1.3	0.6
Lease liability	-	-	-	7.6
Bank borrowings	260.2	306.9	316.6	303.0
Total Liabilities	**263.9**	**313.9**	**326.6**	**321.8**
Equity				
Share Capital	382.2	382.2	379.6	379.6
Retained Earnings and Reserves	22.8	46.8	63.6	63.5
Total Equity	**405.0**	**429.1**	**443.2**	**443.1**

Sources: Investore annual and interim reports. Totals may not sum due to rounding.

The main features of Investore's historic financial position can be summarised as follows:

- Investore's portfolio has exhibited steady growth since listing through acquisition (including the 3 Bunnings properties during FY2018) and revaluation gains on investment properties;
- Investore's LVR (drawn borrowings / value of investment property) as at 30 September 2019 was 40.6% but is expected to reduce to approximately 30.5% on a pro-forma basis following the recent Equity Capital Raising (assuming total net proceeds of $75.8 million);
- This level of LVR is well below the Investore Board's stated LVR maximum of 48%. The current LVR is also well below the financial covenant set by the Company's lenders, which requires that the LVR does not exceed 65%;
- Following settlement of the Acquisition Properties, Investore's pro-forma 1H2020 LVR would revert back to approximately 41.5%; and
- Investore's dividend policy of targeting a cash dividend of 95% - 100% of distributable profit has meant that the majority of the increase in Investore's equity since establishment has been derived from unrealised revaluation gains on the value of its investment property.

5.0 Overview of the Proposed Transaction

5.1. Overview of the Proposed Transaction

The Proposed Transaction involves the purchase of the Acquisition Properties for total consideration of $140.75 million, to be funded through debt utilising Investore's facilities which is expected to be reduced by a net $75.8 million following the Company's recent Equity Capital Raising. Most of the conditions to the Proposed Transaction have been satisfied with the exception of Investore shareholder and OIO approval. Shareholder approval is expected to be sought at a special meeting on 16 January 2020 while a decision from the OIO is expected before April 2020. A total deposit of $5 million is payable by Investore to SPL and SHL if the Proposed Transaction is approved by shareholders, with the remainder of the purchase price payable on settlement (currently expected 1 April 2020[5]).

The Acquisition Properties comprise three properties with a total net lettable area of 37,708 sqm and net contract rent of $8.5 million per annum.

Table 9: Acquisition Properties Portfolio Summary[1]

Property	Anchor Tenant	Occupancy	NLA (sqm)	WALT (years)	Valuation ($000)[2]	Contract Rent ($000)	Market Cap Rate	Contract Yield
Bunnings Carr Road	Bunnings	100%	11,601	7.4	$48,500	$2,336	4.88%	4.82%
Mt Wellington Shopping Centre	Countdown	100%[3]	9,011	3.1	$39,250	$2,616	6.63%	6.66%
Bay Central Shopping Centre	Briscoe Group / NZ Post	100%[3]	17,097	4.2	$53,000	$3,536	6.75%	6.67%
Total/Weighted Average		**100%**	**37,708**	**4.8**	**$140,750**	**$8,488**	**6.07%**	**6.03%**

[1]As at September 2019 unless otherwise indicated.
[2]As recorded in the independent valuations undertaken by Savills, assuming certain seismic upgrade and development works have been completed, and inclusive of vendor rental underwrites.
[3] Inclusive of certain rental underwrites from SPL/SHL relating to 4 retail tenancies.

As highlighted in Table 9, each of the Acquisition Properties has a lettable area in excess of 9,000 sqm. This is consistent with Investore's current properties which generally range in size of between 3,000 – 14,000 sqm with an average of approximately 5,200 sqm. The Mt Wellington Shopping Centre (NLA of 9,011 sqm) is of similar size and nature to Investore's existing Countdown Takanini property (NLA of 7,384 sqm, 11 specialty retailers) while Bunnings Carr Road is similar in size to Investore's existing Bunnings properties. Bay Central Shopping Centre would represent Investore's largest asset by area (NLA of 17,097 sqm) and value ($53.0 million) post the Proposed Transaction.

The Acquisition Properties have been inspected by Investore and reviewed from legal, technical and environmental aspects as part of the Proposed Transaction. These reviews noted that the properties are generally well maintained with no deferred maintenance requirements evident and no known environmental or technical issues (other than certain seismic works SPL is undertaking).

A brief description of each of the Acquisition Properties is provided below.

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[5] Investore expects settlement of the Acquisition Properties will occur on either the later of 1 April 2020 or the last day of the month following the date Investore obtains OIO consent (or where that date is less than 10 working days prior to month end, the last day of the following month)

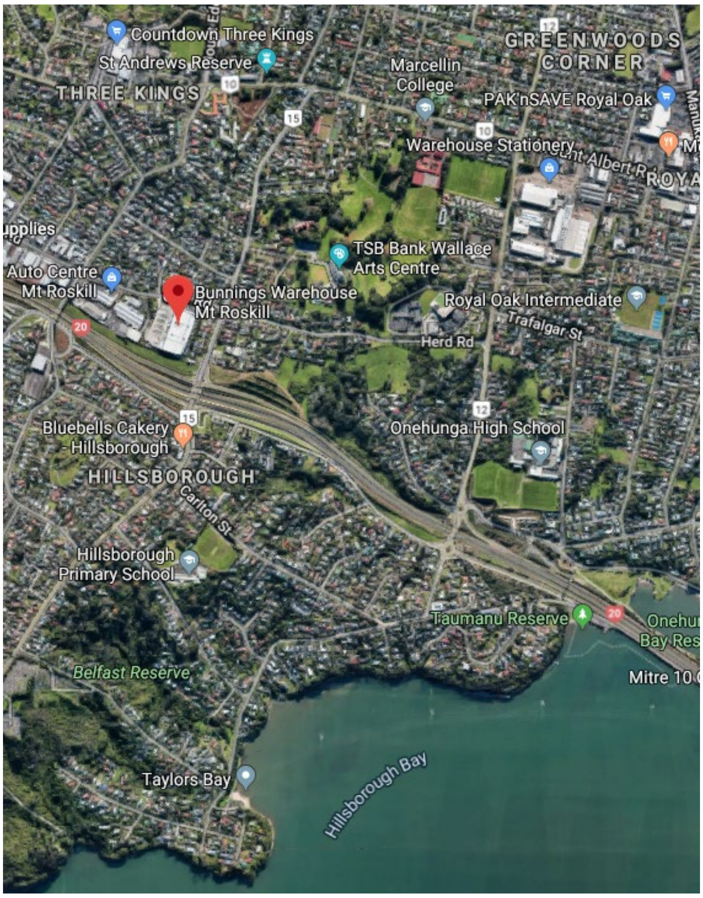
5.2. Overview of the Acquisition Properties

5.2.1. Bunnings Carr Road, Auckland

Bunnings Carr Road is situated on the southern side of Carr Road in Mt Roskill, Auckland. It occupies a prime position directly adjacent to State Highway 20 at the eastern end of Carr Road, an established commercial and retail area between the areas of Royal Oak and Mt Roskill. It covers an area of over 2.7 hectares and has 288 car parks.

Bunnings represents the single tenant occupying a current NLA of 11,601sqm and contributing $2.34 million of net rent with a current lease expiry of February 2027.

Figure 4: Bunnings Carr Road Location



Bunnings Carr Road is being acquired on an "as if complete" basis allowing for required seismic work on the carpark which will bring the entire property up to at least 67% seismic rating under the New Building Standard. The required strengthening costs are therefore the responsibility of SPL.

We also note that Bunnings Carr Road has further redevelopment options which includes approved resource consents to significantly expand the main trade warehouse and timber trade sales areas (indicatively by approximately 3,000 sqm). We understand that Bunnings has agreed for the works to proceed subject to timing and final costs. Savills' valuation for Bunnings Carr Road is based on the proposed development works taking place (including the incremental rental income) but then deducts the anticipated costs of the proposed expansion in deriving the current value of the property.

5.2.2. Mt Wellington Shopping Centre, Mt Wellington, Auckland

Mt Wellington Shopping Centre is a convenience retail centre located on the corner of two main roads – Penrose Rd and Mt Wellington Highway. The property comprises an area of 1.48 hectares and consists of 491 car parks.

While Mt Wellington Shopping Centre represents a convenient retail centre servicing the immediate area, there is significant existing and anticipated new competition. Sylvia Park shopping centre (serviced by a Pak'N Save) is approximately 500 metres to the south and a bulk retail complex containing Harvey Norman, Briscoes and Rebel Sport is just to the north. Foodstuffs (the owner of Pak'N Save and New World) have also recently purchased a large 3.3 hectare property just north of Mt Wellington Shopping Centre on Mt Wellington Highway while General Distributors (the operator of Countdown) has purchased a large site also within close proximity on the Mt Wellington – Ellerslie-Panmure Highway intersection. It is likely that these properties will include further supermarket and LFR offerings intensifying competition for the Mt Wellington Shopping Centre. However, these risks are reflected in Savills' market valuation of the property which is also supported by the property's attractive location and underlying land value.

Figure 5: Mt Wellington Shopping Centre Location and Site Configuration

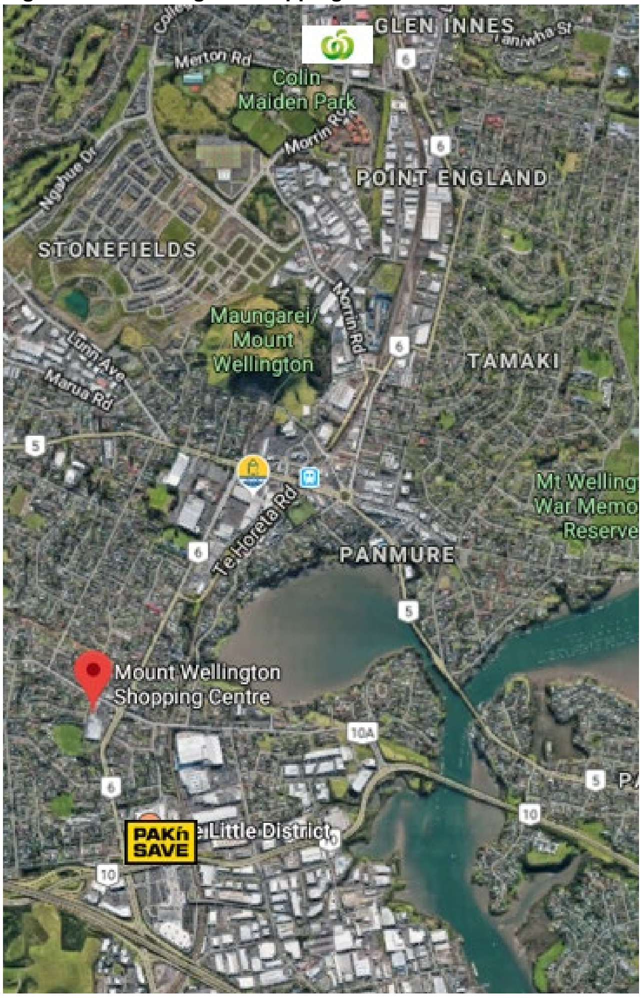
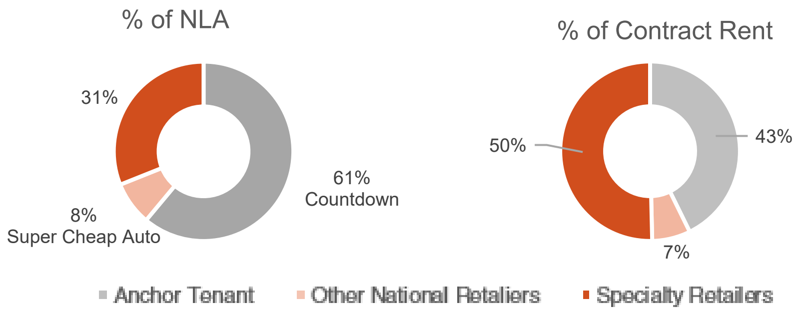


Figure 6 below highlights that while Countdown occupies 61% of the NLA of Mt Wellington Shopping Centre, it contributes about 43% of the rental income. Conversely, Super Cheap Auto and the remaining 20 specialty tenants comprise 39% of the NLA but contribute 57% of the rental income.

Figure 6: Proportionate Area and Income by Tenant Group: Mt Wellington Shopping Centre[1]



[1] Metrics as of 30 September 2019. Other national retailers represent tenants occupying between 500 – 2,000 sqm with a nationwide presence.

5.2.3. Bay Central Shopping Centre, Tauranga

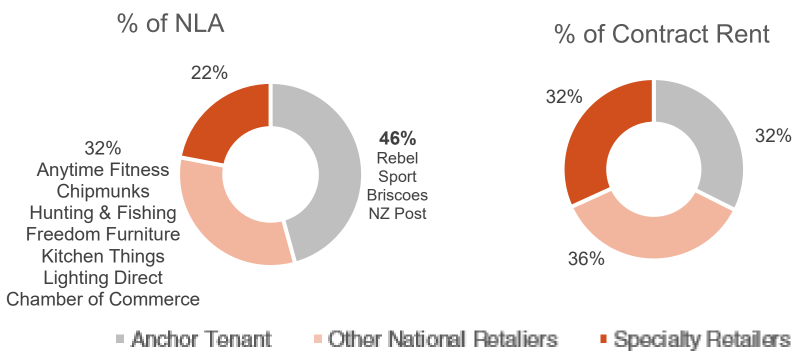
Bay Central Shopping Centre is situated on the northern area of the Tauranga Isthmus, approximately 1km from downtown Tauranga, adjacent to the Mt Maunganui bridge. It covers an area of 3.74 hectares and consists of 504 car parks.

Figure 7: Bay Central Shopping Centre Location and Site Configuration

Note: map depicts "big box" retail stores in the Tauranga area.

Figure 8 highlights that while Bay Central Shopping Centre's anchor tenants, Briscoe Group (Briscoes and Rebel Sport) and NZ Post, occupy 46% of the NLA, they only contribute 32% of the rental income. Hunting and Fishing, Freedom Furniture and the remaining 25 specialty tenants comprise 54% of the NLA and 68% of the rental income.

Figure 8: Proportionate Area and Income by Tenant Group: Bay Central Shopping Centre[1]



[1] *Metrics as of 30 September 2019. Other national retailers represent tenants occupying between 500 – 2,000 sqm with a nationwide presence and the Tauranga Chamber of Commerce.*

6.0 Assessment of the Proposed Transaction

6.1. Value of the Acquisition Properties

Investore engaged Savills to provide an independent valuation of the Acquisition Properties as of 31 October 2019. A summary of the valuation metrics is set out in Table 10 below.

Table 10: Key Valuation Metrics for Acquisition Properties[1]

	Bunnings Carr Road	Mt Wellington Shopping Centre	Bay Central Shopping Centre	Total/Weighted Average
Date Constructed	2000	1980	In stages between 1960 and 2007	**N/A**
Net Lettable Area (sqm)	11,601	9,011	17,097	**37,709**
Net Passing income ($m)	$2.34	$2.62	$3.54	**$8.49**
Occupancy	100.0%	100.0%	100.0%	**100.0%**
WALT (years)	7.4	3.1	4.2	**4.8**
Valuation ($m)[2]	$48.50	$39.25	$53.00	**$140.75**
Cap Rate	4.88%	6.63%	6.75%	**6.07%**
Passing Yield (at Valuation)	4.82%	6.66%	6.67%	**6.03%**
IRR (10 year)	6.73%	7.73%	7.78%	**N/A**

[1] All figures as of 30 September 2019 unless specified otherwise.
[2] As recorded in the independent valuations undertaken by Savills, assuming certain seismic upgrade and development works have been completed, and inclusive of vendor rental underwrites.

Savills has assessed the market values of all the Acquisition Properties on a consistent basis, using the following valuation approaches:

- Direct capitalisation of market rent with adjustments for contract rent; and
- Discounted cash flows.

Savills has applied capitalisation rates consistent with those applied to similar properties owned by Investore, after adjusting for factors such as age, occupancy, tenant quality and lease profile of the property (including the rent review mechanism). Furthermore, the capitalisation rates applied by Savills are in line with the capitalisation rates implied from recent market transactions for similar properties.

We note that the aggregate assessed value of $140.75 million for the Acquisition Properties is effectively equivalent to the $131.2 million carrying value reported by SPL as at 30 September 2019 after allowing for the remaining seismic and development works and rental underwrites agreed with SPL/SHL as part of the Proposed Transaction. The SPL valuations were completed by Colliers (Carr Road and Mt Wellington Shopping Centre) and CBRE (Bay Central Shopping Centre), and implied an average capitalisation rate of 6.17% relative to the 6.07% rate implied by the most recent valuations by Savills on the behalf of Investore. The capitalisation compression between the two valuations largely reflects the improved value of the Acquisition Properties following completion of the seismic and development works and the consequence of the rental underwrite for four specialty tenant vacancies.

Table 11 illustrates the valuation and other operating metrics for Investore's existing portfolio relative to the weighted average metrics of the Acquisition Properties at the purchase value of $140.75 million.

Table 11: Valuation Metrics of Investore Portfolio Relative to Acquisition Properties at Purchase Value

	Existing Investore Portfolio (as of 30 September 2019)	**Acquisition Properties (as of 30 September 2019)**	**Pro-Forma Combined Portfolio**
Market Cap Rate	6.04%	6.07%	6.04%
Contract Passing Yield	6.24%	6.03%	6.23%
Valuation / Purchase Value ($m)	$750.6	$140.8	$891.4
Occupancy	99.7%	100.0%	99.7%
WALT (years)	11.9	4.8	10.8
NLA (sqm)	208,116	37,708	245,824

Source: Northington Partners.

Given the Proposed Transaction has been negotiated on arms-length terms between Investore, SPL and SHL and the Acquisition Properties are being purchased at their independent market valuation, we consider the proposed acquisition terms are fair to Investore shareholders not associated with SPL.

6.2. Financial Implications of the Proposed Transaction

We have estimated the pro-forma impact of the Proposed Transaction on Investore's distributable profit and 30 September 2019 LVR as summarised in Table 12 based on the following assumptions:

- The Proposed Transaction is effective from 1 April 2020, thereby assuming that the Acquisition Properties contribute a full year's earnings for FY2021.
- The Equity Capital Raising of $77.7 million under the placement and retail offer at $1.75 per share, results in the issue of 44.4 million new Investore shares. Net of issuance costs, the Equity Capital Raising raises $75.8 million reducing Investore's pro-forma 1H20 net debt to $228.9 million and an LVR of approximately 30.5%.
- The full acquisition cost of $140.75 million is subsequently entirely funded by debt. Net incremental debt is funded at an assumed weighted average cost of approximately 3.0%, reflecting our assessed cost of funding. This compares to a current yield on Investore's 2024 NZX listed bonds of 2.86% as of 3 December 2019. Investore's actual debt funding cost may differ to this depending on prevailing floating and fixed swap rates and the hedging position adopted at the time of settlement of the Acquisition Properties.
- Additional management fees of $0.7 million per annum are incurred from the addition of the Acquisition Properties. This reflects an asset management fee of 0.45% (consistent with Investore's management contract with SIML once the portfolio value exceeds $750 million) of the properties' value plus a building management fee of $10,000 per property.
- Other incremental annual property related operating expenses (valuation, legal, etc) of approximately $0.1 million are incurred in relation to the Acquisition Properties.
- The summary earnings and distributable profit exclude any one-off transaction costs associated with the Proposed Transaction.
- Allowance for tax depreciation on the property improvements and other deferred tax adjustments of the Acquisition Properties are consistent with Investore's existing portfolio.

Table 12: Forecast Financial Impact of the Proposed Transaction

(NZ$ millions)	Impact of Proposed Transaction
Financial Performance:	
Net rental income	**8.5**
Management fees	(0.7)
Other operating expenses	(0.1)
Total operating expenses	**(0.8)**
Net finance costs	(4.2)
Current tax expense	(0.7)
Distributable profit after tax	**2.8**

Balance Sheet:	30 September 2019	Impact of Equity Capital Raising	Pro-Forma 1H20 Post the Equity Capital Raising	Impact of Acquisition Properties	Pro-Forma 1H20 Post the Proposed Transaction
Value of Investment Properties ($m)	750.6		750.6	140.8	891.4
Borrowings ($m)	304.7	(75.8)	228.9	140.8	369.7
LVR	40.6%		30.5%	-	41.5%

Source: Northington Partners' estimates.

The estimated key financial impacts of the Proposed Transaction, assessed on a pro-forma basis, are as follows:

- Distributable profit increases by approximately $2.8 million.
- Based on the incremental distributable profit from the Acquisition Properties, Investore expects the Proposed Transaction, combined with the recent Equity Capital Raising, will increase Investore's FY2021 DPPS by approximately 2.5%[6] relative to budgeted levels of DPPS prior to the Proposed Transaction and Equity Capital Raising.
- The actual level of earnings accretion may vary depending on the actual date of settlement for the Acquisition Properties and Investore's realised incremental funding cost and any other changes to Investore's portfolio or capital structure due to other acquisition opportunities.
- If the Proposed Transaction does not occur (because shareholder approval is not obtained), FY2021 DPPS is likely to be lower than FY2019 DPPS of approximately 8.0 cents and lower than Investore's current FY2020 dividend guidance of 7.60 cents per share due to the dilution impact of the Equity Capital Raising. However, in this scenario, Investore would likely seek alternative acquisitions utilising its significant debt capacity (pro-forma LVR of 30.5%) to bring distributable profit (and dividends) back to a similar position as under the Proposed Transaction (assuming it can identify acquisitions of a similar size and with similar yields).
- LVR levels post the Proposed Transaction are expected to revert to approximately 41.5% (on a pro-forma basis) consistent with Investore's LVR prior to the Equity Capital Raising. This remains within the Investore Board's stated LVR maximum of 48% and maintains capacity for further acquisition or development works.

6.3. Strategic Fit

Investore's strategy is to invest in quality LFR property assets. This was identified as its core strategy at the time of IPO and is prescribed in Investore's constitution and management contract with SIML. Although the definition of LFR may be considered more broadly, some aspects of the Acquisition Properties fall outside Investore's current, but generalised, definition. Table 13 highlights key aspects of the Acquisition Properties relative to Investore's current LFR investment definition (if a prescriptive analysis is undertaken).

Table 13: Acquisition Properties' Fit with Investore LFR Investment Definition

	Mt Wellington Shopping Centre	Bay Central Shopping Centre	Bunnings Carr Road
Typically large, free-standing, rectangular, generally single-floor structures well serviced by car park facilities	✓	✓	✓
Uses include, but are not limited to, grocery, bulky goods retailing, factory outlets, general merchandise and convenience retailing	✓	✓	✓
Anchor Tenant(s)' NLA is typically in excess of 2,000sqm	✓ Countdown (5,502sqm)	✓ Briscoe Group (Briscoes: 2,915sqm; Rebel: 1,952sqm); and NZ Post (2,947sqm)	✓ Bunnings (11,601sqm)
Single tenants or a limited number of tenants and generally no more than 15 specialty tenants	× 1 Anchor Tenant 21 specialty tenants	× 2 Anchor Tenants 27 specialty tenants	✓ 1 Anchor Tenant

[6] DPPS accretion based on calculating Investore's budgeted DPPS prior to the Proposed Transaction and Equity Capital Raising against the DPPS including the Proposed Transaction and Equity Capital Raising, excluding any transaction costs. DPPS following the Proposed Transaction and Equity Capital Raising is calculated on a pro-forma basis based on the assumptions described and with the associated interest costs of the new interest rate hedging strategies. The actual level of earnings will vary depending on the actual settlement date and the incremental cost of debt at settlement.

The Anchor Tenant(s) occupy >50% of NLA and contribute >50% of rental income	× 61% NLA 43% rent	× 46% NLA 32% rent	✓ 100% of NLA and rent
Minimise operating and lifecycle (capital and maintenance expenditure) costs	✓	✓	✓
Includes property or land than is able to be converted to LFR	✓	✓	✓
Includes property or land that is located adjacent or adjoining that provides opportunity for future LFR development	✓	✓	✓
The above attributes generally result in long WALTs	× (3.1 years)	× (4.2 years)	✓ (7.4 years)

Although Mt Wellington Shopping Centre and Bay Central Shopping Centre do not necessarily fit all of the LFR investment criteria, we note the following:

- When the Acquisition Properties are considered within a portfolio context, the anchor tenants make up greater than 50% of the NLA and rental contribution;
- If the definition of anchor tenants was broadened to consider other major nationally recognised retailers or service providers with over 500 sqm of NLA, both Mt Wellington Shopping Centre and Bay Central Shopping Centre would satisfy the 50% NLA and 50% income test. Such tenants include Super Cheap Auto, Kitchen Things, Chipmunks, Freedom Furniture, Hunting and Fishing, Anytime Fitness and Lighting Direct;
- When considered more broadly within the property market, the tenants above would often be included within the definition of LFR;
- International LFR targeted property investment vehicles would likely categorise these properties as LFR (for example, Aventus Group in Australia); and
- The addition of Briscoe Group (Bay Central Shopping Centre), which has just re-signed a new 10-year lease as part of recent redevelopment works, and the other national tenants above, provides Investore with greater diversification of retail categories while not exposing it to fashion or apparel retail.

Consequently, we consider that the Acquisition Properties are consistent with Investore's strategy to invest in LFR property, especially when considered from a portfolio perspective contributing scale, diversification and geographic benefits (described in Section 6.4).

We also note that due to the relationship between Investore and SPL, the management of perceived and actual conflicts of interest is an integral feature of Investore's governance practices. Throughout the negotiation of the Proposed Transaction, the standing conflicts protocols of SIML, as manager of Investore, were applied in negotiating the Proposed Transaction with SPL. In addition, specific conflicts protocols were adopted for this transaction and these protocols were reviewed by independent legal counsel.

Investore implemented the following measures in order to ensure a thoroughly independent process:

- The independent directors of Investore, being Mike Allen and Gráinne Troute, managed the negotiation of the sale and purchase agreement with SPL and SHL and had significant involvement in the due diligence process of the Acquisition Properties;
- Independent valuations on each of the three properties were obtained from Savills for the benefit of Investore. The valuations support the $140.75 million acquisition price;
- Consistent with the NZX Listing Rules, the property valuer (Savills) were approved as being independent by NZX;
- Separate legal advisers were appointed for each of Investore, SPL and SIML;
- The standing conflicts protocols between Investore and SIML was adhered to in negotiating the Proposed Transaction, in addition to separate transaction specific conflict protocols (and which were independently reviewed); and

- The independent directors, after thorough review, concluded that the Acquisition Properties were a positive fit with Investore's LFR strategy and were value accretive to shareholders.

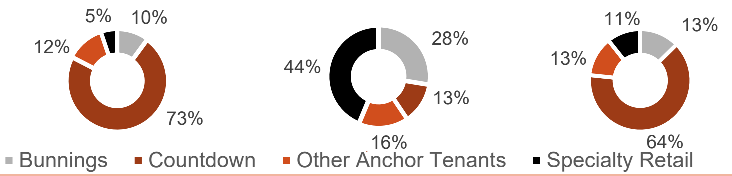
6.4. Operational Implications of the Proposed Transaction

Figure 9 summarises the impact of the Proposed Transaction on Investore's portfolio metrics.

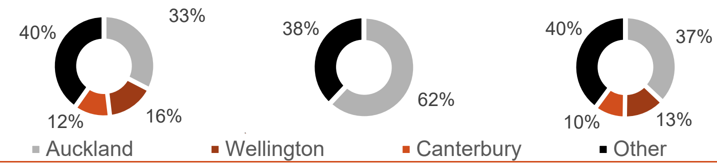
Figure 9: Investore Property Portfolio Metrics Pre and Post the Proposed Transaction[1]

Metric	Pre-Acquisition	Acquisition Properties	Post-Acquisition
Portfolio Asset Valuation	$750.6	$140.75	$891.4
Number of Properties	40	3	43
Number of Anchor Tenants	5	4	7
Number of Specialty Tenants	38	48	86
WALT (years)	11.9	4.8	10.8
Capitalisation Rate	6.04%	6.07%	6.04%
Passing Yield	6.24%	6.03%	6.23%
Occupancy	99.7%	100.0%[2]	99.7%

Tenancy Exposure[3]



Geographic Exposure[4]



[1] Metrics as of 30 September 2019.
[2] Inclusive of certain vendor underwrites in relation to four specialty tenancies.
[3] Based on gross contracted rental income.
$ Based on property valuations.

As illustrated in Figure 9, the Proposed Transaction:

- Adds critical scale, increasing Investore's investment property portfolio by approximately 19% to $891.4 million on a pro-forma basis. These scale benefits should result in reduced management and administration expenses as a percent of Investore's investment property value (management expense ratio) and through increased share liquidity as a consequence of Investore's Equity Capital Raising.
- Provides tenant diversification benefits, reducing Investore's exposure to Countdown while increasing its exposure to Bunnings and adding a number of new national retailers (Briscoe Group and Freedom Furniture). On a pro-forma basis, Investore's reliance on General Distributors (Countdown) reduces from 73% of contracted rent to 64% following the Proposed Transaction. Bunnings will increase from approximately 10% to 13% of Investore's contracted rental income while specialty retail will increase from approximately 5% to 11%.
- Has negligible impact on the overall capitalisation rate and net passing yield of the Investore portfolio.
- The Acquisition Properties have 100% occupancy, including an underwrite from SPL/SHL in relation to four vacant specialty tenancies for a period of two years (approximately 98.2% without the underwrite), resulting in Investore's post-acquisition occupancy levels being maintained at 99.7%.
- Reduces Investore's overall WALT by just over one year. This impact reflects the different nature of Mt Wellington Shopping Centre and Bay Central Shopping Centre (being more convenience-based retail property assets with a larger number of specialty retail tenants) and

is reflected in their market capitalisation rates and valuations. We note that following the Proposed Transaction, Investore will still retain the second longest WALT in the sector.

- Provides Investore's initial exposure to the higher-growth Tauranga region and increases its exposure to the key Auckland market. On a pro-forma basis, Investore's exposure to Auckland increases from approximately 33% to 37% (by property value) while reducing its exposure to Wellington and Canterbury which has been supplemented with new exposure to the Tauranga market.

6.5. Summary of our Assessment

We suggest that the terms and conditions of the Proposed Transaction are fair to shareholders of Investore not associated with SPL. This view reflects the following key considerations.

- **Strategic Fit**: The Proposed Transaction is consistent with Investore's stated strategic objectives at the time of its IPO to continue to invest in LFR property. The Acquisition Properties represent the last of SPL's LFR properties and the Proposed Transaction is consistent with Investore's strategy to acquire quality LFR assets through SIML's market coverage. While Mt Wellington Shopping Centre and Bay Central Shopping Centre represent a different mix of LFR tenants and have shorter WALTs compared to most of the existing portfolio properties, we believe these shopping centres are broadly consistent with Investore's stated definition of LFR property.
- **Acquisition Terms**: The $140.75 million being paid for the Acquisition is consistent with their independent valuations of $140.75 million assessed by Savills. Furthermore, the agreed acquisition price results in portfolio valuation metrics which are consistent with the existing portfolio, having consideration to differences in location, tenant quality and key lease terms.
- **Immediate Financial Impact:** The Proposed Transaction is expected to result in an immediate increase in DPPS. The Equity Capital Raising has provided the debt headroom to settle the Proposed Transaction while the post-transaction LVR will be maintained at levels consistent with the levels prior to the Equity Capital Raising (approximately 41.5% on a pro-forma basis). This remains below Investore's stated maximum of 48% and is well within Investore's covenant limits of 65%.
- **Operational Impact:** The Proposed Transaction reduces Investore's exposure to Countdown, maintains the Company's relationship with Bunnings and introduces a number of new national retailers. It also increases Investore's geographic exposure to the Auckland market and represents its first investment in the higher-growth Tauranga market.

Appendix 1. Sources of Information Used in this Report

Other than the information sources referenced directly in the body of the report, this assessment is reliant on the following sources of information:

- Investore's annual and interim reports.
- Investore's Product Disclosure Statement (dated 10 June 2016) relating to its IPO.
- Discussions with senior personnel of SIML.
- Documentation for the Proposed Transaction including the sale and purchase agreement, property valuation reports from Savills and due diligence reports for the Acquisition Properties.
- Investore's tenancy schedule pre and post the Proposed Transaction.
- Investore's financial model used for budgeting purposes.
- Draft Notice of Special Meeting.
- Various other documents that we considered necessary for the purposes of our analysis.

Appendix 2. Declarations, Qualifications and Consents

Declarations

This report is dated 9 December 2019 and has been prepared by Northington Partners at the request of the independent directors of Investore to fulfil the requirements of the NZX in relation to the Proposed Transaction. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to Investore for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the shareholders of Investore (other than SPL) that are being asked to consider the Proposed Transaction, and Northington Partners consents to the distribution of this report to those people.

Our engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state-owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D and Jonathan Burke B.Com (Hons), BCM. Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous independent reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZX Listing Rules.

Independence

Other than other independent roles with Investore, Northington Partners has not been previously engaged by Investore or (to the best of our knowledge) by any other party to the Proposed Transaction in relation to any matter for the Proposed Transaction that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the directors or substantial security holders of the parties involved in the Proposed Transaction.

The preparation of this independent report will be Northington Partners' only involvement in relation to the Proposed Transaction. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

Disclaimer and Restrictions on the Scope of Our Work

In preparing this report, Northington Partners has relied on information provided by Investore. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

Investore has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report, except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

Investore has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

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Northington
Partners