

# Redcape Hotel Group

## Continuous Disclosure Notice

### Temporary Pause of Liquidity Facility and Applications and Market Update

30 June 2023

Redcape Hotel Group Management Ltd, as responsible entity (“Responsible Entity”) of Redcape Hotel Group (“Redcape”, “Fund”), is writing to update investors about venue performance and short-term changes to the Fund’s Liquidity Facility (“Liquidity Facility”).

Over the last three months of the 2023 financial year, the operating performance of Redcape’s venues has been variable due to deteriorating consumer confidence. The increasing burden of rising interest rates on households and a corresponding reduction in consumer spending has created volatility in venue performance during the period.

More broadly, the uncertainty created by the evolving economic conditions makes forecasting the near-term outlook challenging. Against this backdrop, the Directors of the Responsible Entity have determined it is in the best interest of all unitholders to temporarily pause applications and withdrawals until conditions stabilise and the outlook becomes more certain. The Fund’s capital reserves are also being managed carefully to ensure stability through this period of economic uncertainty and lower asset liquidity.

#### Temporary pause of Applications and Withdrawals

For the above reasons, and in accordance with section 9.9 of the Product Disclosure Statement (**PDS**) and 12.1 of the Constitution, the Directors of the Responsible Entity have elected to pause the Fund’s quarterly Liquidity Facility as of 30 June 2023 for a period of up to 180 days until 27 December 2023 (**Suspension Period**). This will include:

- Suspending acceptance of new withdrawal applications; and
- Suspending processing of any withdrawal applications already received; and
- Suspending payment of withdrawal requests that have been previously accepted and processed, including any withdrawal requests carried over from prior quarters.

In accordance with section 9.4 of the PDS and 7.5 of the Constitution, the Directors of the Responsible Entity have elected to pause applications into the Fund during the Suspension Period. This will include:

- Suspending acceptance of applications; and
- Suspending processing of any applications already received; and
- Suspending the Fund’s Distribution Reinvestment Plan (**DRP**). Investors currently elected into the DRP will have their distributions paid by direct credit to their nominated bank account recorded under their investment.

At the conclusion of the Suspension Period, the Fund will continue to operate the quarterly liquidity facility in the manner disclosed in the PDS. Any withdrawal requests that are received by the Responsible Entity during the Suspension Period will be deemed to have been received immediately following the Suspension Period.

## Fund outlook and asset sale update

MA Hotel Management (MAHM) is conducting an orderly process to divest selected assets and is in advanced discussions with potential purchasers.

Redcape is an operating business and therefore is subject to variability in operating performance as property and economic cycles shift. The portfolio has delivered 4.1% compound average growth per annum (like-for-like)<sup>1</sup> in venue EBITDA since acquisition. The portfolio continues to benefit from being predominantly located in densifying metropolitan areas which are expected to benefit from ongoing immigration and wage growth. Furthermore, MAHM continues to explore value-add opportunities within the portfolio to extract additional upside and has a pipeline of projects ready to deliver on this objective.

The challenging economic environment does not diminish the quality nor attractiveness of Redcape's outstanding venues, which is reflected in the strong returns evidenced over many years. Since MA Financial acquired Redcape Hotel Group in 2017, the Fund has delivered investors a total return 16.6%<sup>2</sup> per annum.

MA Financial Group<sup>3</sup> has a material investment in the Fund and is therefore closely aligned with all other unitholders in respect of Fund performance.

## Deceased Estate Withdrawals

While the Fund withdrawals are suspended, withdrawal requests may be submitted in respect of a deceased estate's holdings at any time, subject to certain limits, including a maximum request of \$500,000 per investor (Deceased Estate Withdrawal Request). The following entities are eligible to make a Deceased Estate Withdrawal Request:

- Individual holding where the individual is deceased
- Joint holding where all holders are deceased
- SMSFs where all members are deceased.

The 'closing date' for notification of Deceased Estate Withdrawal Requests to the Responsible Entity is generally 2.00pm Sydney time 45 days prior to the last day of the relevant quarter, or the next Business Day if the last day of the relevant quarter is a non-Business Day.

If the request is approved, payment will usually be made around 21 days after the Deceased Estate Withdrawal Request is processed. Deceased Estates Withdrawal Requests will be processed on the first of each quarter using the Unit Price that day minus the Withdrawal Deduction.

The Responsible Entity may, at its discretion, cancel, defer, scale back or suspend Deceased Estate Withdrawal Requests in exceptional circumstances including for so long as it is impracticable to offer liquidity, or if it would not be in the best interests of Unitholders for liquidity to be offered. As such, investors should consider an investment in the Fund to be a long-term investment.

Information on how to apply for a Deceased Estate Withdrawal Request can be obtained by contacting Client Services.

**Enquiries:** If you have any questions regarding your investment, please speak to your financial adviser or contact Client Services via [MAclientservices@MAFinancial.com](mailto:MAclientservices@MAFinancial.com) or +61 2 8288 5594.

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<sup>1</sup> Like for like (LFL) venues include all venues that were operating during the entire period and excludes any venues that were acquired or divested.

<sup>2</sup> Returns as of 31 May 2023. Past performance is not an indicator of future performance. Returns reflect the value of a continuing investor's investment assuming the reinvestment of all distributions and are calculated in accordance with investment performance reporting guidelines of the Financial Services Council (FSC) of which MA Financial Group is a member.

<sup>3</sup> This investment is held via a wholly owned subsidiary of MA Financial Group Limited (ACN 142 008 428) and is an affiliate of the Manager.

This statement has been issued by Redcape Hotel Group Management Ltd (ACN 610 990 004) (AFSL 505932), the issuer and responsible entity of the Redcape Hotel Group Fund (which comprises the Redcape Hotel Trust I, ARSN 629 354 614 and the Redcape Hotel Trust II, ARSN 629 354 696) ("Fund"). MA Hotel Management Pty Ltd (ACN 619 297 228) is the appointed Manager of the Fund. This is provided for informational purposes only.