GDI PROPERTY GROUP

GDI No.38 Diversified Property Trust

9.75% Cash Return 2015 Financial Year

High yielding diversified portfolio of seven properties

Information Memorandum - 4 June 2014

GDI No. 38

Contents

Should you have any questions regarding the GDI No. 38 Diversified Property Trust please contact GDI Funds Management Limited on 02 9223 4222 or visit www.gdi.com.au

Please note: Some images in this Information Memorandum are for illustrative and conceptual purposes only and do not relate to actual properties included in the GDI Diversified Property Trust portfolio. Images of portfolio properties are labelled with their location.

Before you start

This Information Memorandum is issued by GDI Funds Management Limited ACN 107 354 003, AFSL 253 142 ("GDIFM"). GDI No. 38 Pty Ltd ("Us", "We", or the "Trustee") does not hold an Australian financial services licence.

No offer is made to any person other than an offer by GDIFM to arrange the issue of Units, under an agreement between the Trustee and GDIFM in accordance with section 911A(2)(b) of the Corporations Act. By applying for Units you accept the offer by GDIFM to arrange for the issue of the Units.

The provision of this document to any person does not constitute an offer to arrange the issue of Units to that person or an invitation to that person to apply for Units unless the recipient is a wholesale client for the purposes of section 761G or section 761GA of the Corporations Act.

GDI No. 38 Diversified Property Trust ("the Trust") is not registered as a managed investment scheme. An investor in the Units will not have cooling off rights.

This document is not a product disclosure statement under Part 7.9 of the Corporations Act. It is not required to, and does not, contain all the information which would be required in a product disclosure statement. It has not been lodged with the Australian Securities and Investments Commission.

In the context of a professional financial plan, this Information Memorandum is designed to help you decide if the Trust is the right investment for you.

This Information Memorandum does not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision on the basis of this Information Memorandum you should consider whether the investment is appropriate for you in light of your particular investment needs, objectives and financial circumstances.

We recommend you seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Trust.

This Information Memorandum speaks of both forecasts and also our objectives and targets for the Trust. Whilst the forecasts have been prepared on the basis of the best estimate assumptions and certain key accounting policies it is very important to understand that objectives and targets are NOT forecasts – they are simply our goals.

Remember:

- performance and volatility change over time;
- past performance and volatility are a poor indicator of what may happen in the future;
- neither returns or the money you invest are guaranteed – you can lose as well as make money; and
- actual performance and volatility depends on many factors including financial market performance overall and the risks we discuss in this Information Memorandum.

None of GDI Funds Management Limited, GDI Investment Management Pty Limited, the Trustee, or any other entity within the GDI group promises that you will earn any return on your investment or that your investment will gain or retain its value.

A glossary of defined terms can be found on page 77.

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We invite you to invest

Dear Investor,

GDI Property Group

GDI Property Group ("GDI") is an ASX listed integrated, internally managed property and funds management group with capabilities in ownership, management, refurbishment, leasing and syndication of properties. GDI has assets under management of $867 million in both the listed GDI Property Trust (part of GDI) and in a series of unlisted property trusts.

GDI (and its predecessors) has established a long and successful track record having established 36 unlisted property funds with a combined value of approximately $1.25 billion, based on astute selection of commercial properties in growth markets, having a tried and tested formula for adding value, and selling when the property is ripe for selling. These attributes have resulted in consistent out performance of the market generally and generated attractive returns to investors.

Our latest offering

GDI Funds Management Limited ACN 107 354 003, AFSL 253 142 ("GDIFM") is pleased to offer you the opportunity to invest in GDI's latest property trust, GDI No. 38 Diversified Property Trust ("the Trust"), which is acquiring a portfolio of seven properties located around Australia ("the Portfolio"). The Portfolio comprises six industrial properties and an office property, all subject to long term leases to UGL Limited, an ASX listed entity with a market capitalisation of approximately $1.05 billion[1].

The Portfolio is being acquired for $66.5 million, below its Independent Valuation of $67.4 million.

The Portfolio is geographically diversified with assets located in strategic locations in New South Wales, Queensland and Western Australia. The Portfolio is being acquired for low average capital values per square metre of lettable area with the majority of properties having multiple exit options, enhancing the prospects for capital growth.

On completion of the acquisition of the Portfolio, UGL Limited will continue in occupation under 10 year leases with one five year option ("10 + 5") for each property in the Portfolio, except for the property at Broadmeadow, Newcastle, which has two five year options ("10 + 5 + 5"). The leases contain annual increases of CPI +1%, or 3%, whichever is the greater. UGL Limited will also be responsible for all outgoings, entering in to Triple Net Leases for the six industrial properties and a Net Lease for the office property.

The offer

GDIFM under an agreement between GDI No. 38 Pty Limited ("Us", "We", or the "Trustee") and GDIFM is arranging the issue of $43.8 million in equity from investors by the issue of 43.8 million $1.00 units in the Trust, with the balance to be funded, we consider conservatively, by bank loan.

The potential

Our goal is to provide investors with attractive distributions and capital growth. The forecast distribution is 9.75% p.a., 10.00% p.a. and 10.25% p.a. for the years ending 30 June 2015, 30 June 2016 and 30 June 2017 respectively. Distributions will be paid quarterly.

1. As at 20 May 2014

What to do next

In considering an investment in the Trust, please read this Information Memorandum carefully and consult your financial adviser to ensure it is appropriate for your objectives and needs. GDI recommends to Investors and Advisers that they request an investment allocation early by contacting GDI's offices.

This fundraising will close on the earlier of 20 June 2014 or when $43.8 million in equity is raised. You should act soon if you wish to invest. GDIFM may close this offer early, especially if demand from investors is high, or it may extend the offer. Investment in the Trust is only available to wholesale clients as the Corporations Act defines this – see section 15. We look forward to you investing in this new Trust.

Yours sincerely,

Steve Gillard
Managing Director

1. At a glance

Investment overview	Acquiring a Portfolio of six industrial properties and one office property all subject to long term leases to UGL Limited, an ASX listed company with a market capitalisation of approximately $1.05 billion[2]. The leases are for a period of 10 years (with options), have a minimum fixed increase of 3% p.a. and UGL Limited is responsible for all property outgoings. *See section 15 for a summary of the leases.* The Portfolio is geographically diversified across seven locations in New South Wales, Queensland and Western Australia and benefits from multiple exit options.
Application Amounts	$50,000. *Then $10,000 increments.* This amount includes any payments you direct us to make to you professional advisor. *See section 15 for further details.*
Targeted income distribution	**Distribution** – **Financial year** 9.75% p.a. – FY 2015 10.00% p.a. – FY 2016 10.25% p.a. – FY 2017
Tax advantaged	Yes. *Some of the income will be tax deferred.*
Investment timeframe	7 years. *See section 10.*
Issue price per unit	$1.00.
This trust may suit you if you are seeking	Regular high distributions. Potential future income and capital growth.
Close date of this offer	The earlier of 20th June 2014 or when a minimum of $43.8 million in equity is raised. *GDIFM may close the offer earlier than this, so it is important that you apply sooner rather than later or you may miss out. Please note that GDIFM may also extend this offer.*
Acquisition price	The Portfolio is being acquired for $66.5 million, with an Independent Valuation of $67.38 million.
Experienced manager	GDI is a leading Australian property owner and funds manager which has been managing commercial property for investors for more than 20 years. *See section 6 for full details.*
Borrowing	Initial target gearing at completion of the Transaction is 43%. The long term target borrowing is 45% of the valuation of the Portfolio, with GDI committed to spending value enhancing improvements on one of the properties funded through debt. *See section 5 for full details.*
Interest cover	Approximately 3.5 times at settlement.
Trust size	$43.8 million equity.
Ongoing fees and costs	Management fee: 0.65% (excluding GST) of the gross value of "non-active" properties in the Portfolio 1.00% (excluding GST) of the gross value of "active" properties in the Portfolio Performance fee: 20% (excluding GST) of any of the Trust's after fees and costs performance above a per annum IRR of 12%. *See section 8 for full details.*
Risk	Medium.
Expected volatility of returns	Low.
Access to your investment	Low. *See section 10.*

2. As at 20 May 2014

9.75%p.a.
2015

10.00%p.a.
2016

10.25%p.a.
2017

Forecast distributions to be paid quarterly

Millperra

2. Key features of this trust

Investment overview

- Unlisted property trust
- Investing in a Portfolio of six industrial properties and one office property, all subject to long term leases to UGL Limited
- The offer closes on the 20th June 2014 unless closed earlier or extended
- Forecast distributions to be paid quarterly

Distribution	Financial year
9.75% p.a.	2015
10.00% p.a.	2016
10.25% p.a.	2017

Key details

- A 7 year term with the potential for earlier realisation should we consider this appropriate
- The offer closes 20th June 2014 unless closed earlier or extended
- 43.8 million units are to be issued at $1.00 per unit fully paid

A unique Portfolio

- A unique Portfolio of six industrial properties and one office property
- All properties are subject to long term leases to UGL Limited, an ASX listed company with a market capitalisation of $1.05 billion[3]
- Total net lettable area of 72,684m[2]
- Total land area of 320,396m[2], with a site coverage on the industrial properties of only 22%
- The industrial locations and low site coverage provides opportunities for rezoning, redevelopment and strata subdivision
- All industrial properties are strategic to UGL Limited's Engineering business
- A $1.5 million capital expenditure program on the office property will be undertaken to enhance its energy efficiency and sale potential, funded by additional drawings of the debt facility
- A purchase price well below management's view of intrinsic value and below the Independent Valuation of $67.38 million

2. As at 20 May 2014

Trust strategy

- To acquire and hold the Portfolio for the long term
- To actively improve the individual assets through rezoning and redevelopment
- Exit route alternatives include a Portfolio sale, individual property sales or subdivision development
- To set aside excess cash flow to help fund future asset plans

Borrowing

- Intention to borrow from a major Australian Bank for a 3 year facility
- Intended gearing at close of the offer: 43% of Independent Valuation
- Targeted gearing during the life of the Trust: 45% of Independent Valuation
- Targeted covenant gearing of 50% - 55% of the loan to value ratio of the Portfolio
- Interest rates could be variable and/or fixed
- An interest rate of 5.00% has been used as an average rate per annum over the forecast period

Attractive lease terms

- The properties are subject to 10 year leases to UGL Limited (with options) with annual increases of the greater of CPI + 1%, or 3%
- The industrial property leases are structured as Triple Net leases and the office property on a Net Lease basis, meaning UGL Limited is responsible for all outgoings and in relation to the industrial properties, capital expenditure
- In addition, some of the leases contain cooperation clauses whereby the Trust as Landlord and UGL Limited as tenant will collaboratively work together to enhance the value of the property, with no binding requirements on the Trust unless it is in our opinion in the Trust's best interest to do so

Strong lease covenant

- UGL Limited is an ASX listed company with a market capitalisation of $1.05 billion[4]
- UGL Limited is a global diversified services business comprising two divisions, DTZ and Engineering
- UGL Limited has announced an intention to de-merge its two businesses, with the Portfolio integral to the Engineering business
- The Engineering business is expected to continue to be a market leader in engineering, construction and maintenance services in Australia and New Zealand, with an emerging presence in Asia
- It has annual turnover in excess of $2.3 billion and employs over 6,600 people[5]
- The leases to UGL Limited are for a period of 10 years with one five year option, except for the property at Broadmeadow, Newcastle which has two five year options

4. As at 20 May 2014
5. UGL Limited ASX release dated 9 May 2014

Future capital expenditure

- An allowance of $1.5 million has been set aside for capital expenditure on the office property during the first two years of the Trust, funded by additional drawings of the debt facility. The leases for the six industrial properties are Triple Net leases, meaning there is no capital expenditure requirements over the lease term

An experienced property fund manager

- Specialist commercial property owner and manager
- Established 1993
- Performance not volume driven
- 36+ unlisted projects | 20 years | $1.25+ billion |
- Proven performance track record
- $867 million in property currently under management
- A hands-on approach to asset management
- Experts in property asset management

Fees and expenses

Due diligence, acquisition and offer management fee	2.5% (excluding GST) of the purchase price of the Portfolio
Trust management fee	0.65% p.a. (excluding GST) of the gross value of non-active properties in the Portfolio 1.00% p.a. (excluding GST) of the gross value of active properties in the Portfolio
Debt arranging fee	0.4% (excluding GST) of the amount of any debt facilities arranged
Project management fee	Up to 5% (excluding GST) of the project costs if managed in house
Disposal fee	2% (excluding GST) of the sale price (or effective sales price) of any property sold
Performance fee	20% (excluding GST) of any of the Trust's after fees and costs performance above a per annum IRR of 12%

See section 8 for full details of fees and expenses

3. The Portfolio

Introduction

The Portfolio comprises six industrial properties and one office property geographically diversified across seven locations in New South Wales, Queensland and Western Australia. With a total land area of 320,396m^2, the industrial site coverage of only 22% affords scope for rezoning, redevelopment or strata subdivision of the industrial assets.

General description

Assets	Sector	State	Rent ($)	Acquisition price ($)
5 & 13 Wood St, Bassenden, Perth	Industrial	WA	968,901	10,875,000
46-48 Anderson St, Port Headland	Industrial	WA	290,000	2,850,000
891 Ingham Rd, Bohle, Townsville	Industrial	QLD	703,906	7,500,000
91 Connors Rd, Paget, Mackay	Industrial	QLD	843,300	9,250,000
16 Broadmeadow Rd, Broadmeadow, Newcastle	Industrial	NSW	1,928,527	19,500,000
373 Horsley Rd, Milperra, Sydney	Industrial	NSW	698,550	7,750,000
3 Bridge St, Pymble, Sydney	Office	NSW	917,540	8,775,000
			6,350,724	**66,500,000**

			Improvements				
Acquisition yield	Land area (m^2)	Rate ($/$m^2$)	Office (m^2)	Warehouse (m^2)	Total (m^2)	Office %	Site coverage
8.91%	38,100	$285.43	528	10,440	10,968	5%	29%
10.18%	2,942	$968.73	380	293	673	56%	23%
9.39%	51,400	$145.91	734	8,519	9,253	8%	18%
9.12%	30,900	$299.35	1,548	6,944	8,492	18%	27%
9.89%	162,800	$119.78	3,165	28,193	31,358	10%	19%
9.01%	31,290	$247.68	4,831	4,483	9,314	52%	30%
10.46%	2,964	$2,960.53	2,626	-	2,626	100%	89%
9.55%	**320,396**	**$207.56**	**13,812**	**58,872**	**72,684**	**19%**	**23%**

Milperra

373 Horsley Road, Milperra, Sydney, NSW

Location

373 Horsley Road, Milperra, NSW is located in Milperra, a south-western suburb of Sydney, situated approximately 24 kilometres south-west by road from the Sydney Central Business District (CBD) and within the Local Government Area administered by Bankstown City Council.

The property is situated within an established industrial area, dominated by Bankstown Airport. Surrounding development comprises a mixture of substantial older style manufacturing facilities and more modern industrial unit estates. To the south of the industrial estate is the Bankstown Campus of the University of Western Sydney together with predominantly low density residential dwellings. Panania Railway Station is approximately two kilometres away with local shopping facilities within approximately one kilometre.

Land

The land comprises slightly irregular shaped allotment and is relatively level. The property has a 132.5 metre frontage to Horsley Road and a total land area of 31,290m^2.

Road system and access

Horsley Road is a two-lane, bitumen sealed roadway with links to busy Milperra Road, which is the main thoroughfare in the locality. The M5 Motorway is 2.5km by road to the south of the property.

Improvements

The improvements include various buildings built between the 1960's and 1990's that provide warehouse, workshop and office accommodation.

There are also sealed and unsealed yard/surplus land areas to the western (rear) and northern sections of the site.

Main Building

The main building on the site was constructed in the 1960's and comprises office, workshop, storage and production space. There is a two-level office component to the Horsley Road frontage that provides a mix of open plan work areas, meeting rooms, board room and private offices.

To the rear of the office component is a production area that has 3.5 metre clearance and suspended grid ceiling. At the rear of the building is a multiple bay workshop/storage area that is divided into two sections and has clearance ranging from approximately 5 to 10 metres. The southern section has a sawtooth roof profile and is accessed via two adjoining roller shutter doors to the southern elevation. The northern section has a clearance of approximately 10 metres with two gantry cranes and is accessed via roller shutter doors to the northern and western elevations.

Office Building

Detached from the main building and situated to the northern section of the site is a circa 1990 office building constructed over two levels plus basement level car parking.

Ancillary

Situated to the south of the main building is a masonry block office/amenities building that was constructed in the 1970's. It provides a mix of offices, staff recreation and amenity areas. Also detached are two older style workshop buildings to the west of the main building. Each provides basic accommodation and is utilised for storage, maintenance and workshop purposes.

Milperra

891-909 Ingham Road, Bohle, Townsville, QLD

Location

Bohle is located approximately seven kilometres south west of the Townsville CBD and is bounded by the suburbs of Mt St John, Mt Louisa and Shaw. Bohle forms part of Townsville's core industrial precinct located along Ingham Road. Development within this precinct typically comprises a mixture of older style, semi-modern and brand new large scale engineering workshops and factories.

The suburb is within close proximity to infrastructure such as arterial roads, motorways, major transport routes, public transport and local shopping facilities. The suburb is predominantly serviced by Ingham Road and the Bruce Highway.

Land

891-909 Ingham Road, Bohle consists of a near level, irregular shaped, inside lot of 5.14 hectares that is set at about road height. It has approximately 215 metres of absolute frontage to Ingham Road at the southern boundary.

Road system and access

The property has a single road frontage to Ingham Road, a bitumen sealed, two lane arterial road with easy and direct access by both outbound and inbound traffic flows.

Improvements

The site's western boundary of 168 metres abuts a rail spur line siding. This siding links with the North Coast Rail Line further west of the property and provides direct access to three internal rail line loops that service the main workshop, sand blast bay and spray booth.

Vehicular exposure is good and considered to be an attractive feature of the property, as is the rail spur line that abuts the western boundary.

Erected on the property is a large scale industrial facility that has historically been utilised in the manufacturing of rail mechanical and structural components of up to 80 tonnes.

Improvements include:-

- A main administration building;
- A high clearance heavy fabrication workshop with an attached two-level office building and staff amenities;
- A sand blasting shed with in-ground servicing pit;
- A shed and spray booth and a new attached drying bay extension; and
- A flammable goods storage shed.

The majority of the improvements are 35 - 40 years old. The current footprint of the improvements reflects a site coverage of 18%.

There are 75 open parks on site, predominantly to the southern section of the site between the site administration building and the main factory / office.

Bohle, Townsville

91 Connors Road, Paget, Mackay, QLD

Location

91 Connors Road, Paget, is located approximately six kilometres by road southwest of the Mackay CBD. The property is situated on the eastern side of Connors Road, being the corner allotment directly southeast of the intersection with Len Shield Street.

Surrounding development comprises established larger heavy industrial sites improved predominantly with large high clearance industrial workshops with attached office provision.

Land

The property provides a slightly truncated corner allotment set at road height and providing a near level contour throughout.

The property has a frontage to Len Shield Street along the northern alignment of approximately 210 metres. The property receives good exposure from passing traffic and benefits from ample off-street parking.

Road system and access

Len Shield Street provides a dual lane bitumen sealed carriageway. Vehicular access is considered to be easy and direct over two concrete crossovers with widths ranging from 6 to 8 metres. Connors Road is a dual lane bitumen sealed carriageway with concrete kerb and channeling and grassed footpaths. It is a main connector road in Paget that enables traffic flow within the industrial precinct and through to Mackay via Paradise Street to the north. It also links to the Bruce Highway via Archibald Street to the north and Farrellys Road to the south.

Regular council bus services operate along Connors Road and through the area while the Mackay Airport is in close proximity to the east.

Improvements

Warehouse/workshops

The property contains two detached high clearance heavy industrial workshops featuring RSJ columns and rafters and metal deck roofs. External wall cladding comprises part masonry block and colorbond sheeting.

The original shed was constructed in 1979 and is located nearest to the intersection of Len Shield Street and Connors Road. It includes a significant area of single level offices and staff amenities that adjoin the western and eastern sides of the workshop with internal access through to the workshop. The second building was constructed in 2003 and provides a larger shed with similar heavy industrial construction. It includes offices and staff amenities that are located to the western side of the workshop with direct internal access to the workshop.

Each workshop is connected with three-phase power, has maximum heights ranging between 11.7 and 12.8 metres and includes a significant number of high-clearance roller doors and mercury vapour lamps.

Ancillary

Other site improvements include a bunded wash-bay, an oil/water separator, two two-bay colorbond storage sheds, and significant bitumen sealed hardstand and concrete and bitumen sealed open car parking areas. An area of approximately 8,100m^2 located to the eastern boundary comprises compacted gravel hardstand and is used for open storage.

The site also provides approximately 136 allocated open car parks.

Paget, Mackay

16 Broadmeadow Road, Broadmeadow, Newcastle, NSW

Location

16 Broadmeadow Road, Broadmeadow, Newcastle is situated on the northern side of Griffiths Road, the main link road into the Newcastle CBD. The property is located approximately 4 kilometres west of Newcastle CBD, and is situated within an inner suburban area in close proximity to Newcastle Port with good connections to major transport networks, including rail.

This part of Broadmeadow consists of a number of industrial and commercial premises, as well as some bulky goods retail extending along Broadmeadow Road to the south of the main entry into the property.

Development to the south includes the Newcastle Harness racetrack, the Newcastle International Sports Centre, and various other leisure/entertainment facilities. Newcastle Central, a smaller shopping complex anchored by an IGA supermarket is within 500 metres of the main entry to the property.

Land

The property is comprised of three separate lots of 162,800m^2 in total. The property is irregular in shape, having a frontage to Griffiths Road of 483 metres, extending to the north along Broadmeadow Road approximately 400 metres, with the northern boundary running in a north-east to south-west orientation extending approximately 712 metres and includes a rail corridor located in the far northern extremity of the site, south of Georgetown Road.

Road system and access

The property's main access is from Broadmeadow Road, which provides entry to the site, approximately 350 metres north of the Griffiths Road intersection. The closest intersection to the main entry is Boreas Road, being approximately 70 metres south of the entry, and the Clyde Street roundabout, being approximately 150 metres to the north of the main entry.

Rail access to the property is provided via a single rail siding running south west from the main north rail corridor, along a narrow corridor forming part of the subject, before crossing Broadmeadow Road and splitting into various single ended rail sidings within the main section of the site.

Improvements

Improvements on the property have been constructed at varing times from 1890, comprising large industrial workshops and warehouses purpose built for the manufacture and maintenance of railway rolling stock.

In all there are approximately 19 buildings on the site, including a large administration building dating from approximately 1925 and various staff-related facilities including canteen, showers, amenities and car parking. There is ample parking provided on site at the Broadmeadow Road entrance and to the rear of the administration buildings.

With a low site coverage of 30%, there is an opportunity to add value to the property through rezoning, sub-division or redevelopment.

Broadmeadow, Newcastle

46-48 Anderson Street, Port Hedland, WA

Location

46-48 Anderson Street, Port Hedland is situated approximately 1km east of the Port Hedland Commercial District. Port Hedland is 1630 km north of Perth and 220 kilometres east northeast of Karratha.

Port Hedland has a population of approximately 20,000 and is primarily a sea port for the Pilbara Region in the mineral rich northwest, in particular BHP's and Fortescue Metals' mining interests at various sites in the surrounding area.

The property is situated on the southern side of Anderson Street within the industrial precinct of Port Hedland.

Surrounding development comprises a mixture of general industrial properties including mining support services and machinery based land uses.

Land

The property has a combined street frontage of 46 metres to Anderson Street. The property is generally rectangular in shape and level at road grade.

Road system and access

Anderson Street and Wilson Street, which runs broadly parallel to the south, are the main roads into the Port Hedland industrial area and town centre. Vehicular access to the property is via Anderson Street.

Improvements

Improvements take the form of an office / warehouse, a workshop and an office building.

Office/Warehouse

The office/warehouse is situated toward the Anderson Street frontage.

Internally, the office has been partitioned into an entry/reception area, two offices, male & female toilets, tea preparation area, two storage/archive rooms and an additional multi-purpose room which is accessed from the warehouse only.

The warehouse is clear span and has a minimum truss height of approximately four metres, painted concrete floors and additional mezzanine storage areas above the office.

Workshop

The workshop is positioned immediately to the south of the office/warehouse and is of steel frame construction with metal deck cladding.

Internally, the workshop is clear span and includes a raked truss height of approximately three to five metres.

Office

The office building is a framed construction with external cladding and iron roof cover. Internally, the building provides a large open plan office area plus three offices and two large storage/server rooms.

Ancillary

Adjoining the rear of the warehouse is an approximately seven metre steel framed canopy with concrete floor and fluorescent lighting. There is a steel framed canopy/car port along the eastern elevation of the office building suitable for two cars in tandem.

A concrete wash down pad is positioned along the eastern boundary.

Two iron clad sheds utilised for storage are positioned along the rear of the property, constructed over concrete slabs. The remainder of the site includes a concrete parking area.

Port Headland

5 & 13 Wood Street, Bassendean, Perth, WA

Location

5 & 13 Wood Street, Bassendean, Perth is located within the Tonkin Industrial Estate in the residential suburb of Bassendean, located approximately five kilometres from Perth Airport and 11km to the Perth CBD. The property is orientated to the north eastern alignment of Wood Street.

Surrounding development comprises similar scale industrial properties together with more recent industrial subdivision that provides modern office warehouse developments.

Surrounding infrastructure includes a complete complement of transport infrastructure, including the nearby railway line, major arterial roads, and public transport options.

A number of major arterial roads are located in relative close proximity to the property, including the Tonkin Highway, Collier Drive and Railway Parade.

Land

5 Wood Street has a generally level topography, an approximately rectangular shape with a single 50 metre frontage to Wood Street. The depth of the site along the south eastern boundary is 89.98 metres.

13 Wood Street has a generally level topography with a regular shape and single continuous frontage to Wood Street.

Road system and access

The combined landholding has a single road frontage to Wood Street which is a bitumen paved roadway with concrete kerbing. Wood Street extends between Alice Street and Railway Parade. Vehicular access is unimpeded and the property comprises good exposure to passing traffic.

Improvements

13 Wood Street comprises a number of industrial workshop and warehouse buildings, as well as associated office accommodation buildings, plus staff amenities buildings. The buildings were developed in stages over the preceding 50 years.

5 Wood Street comprises a vacant site with gravel hardstand and is currently utilised as a yard that is partially fenced along the perimeter.

Office

The office improvements are comprised of two single level stand-alone buildings, situated to the front of the site. Accessibility is via the Wood Street frontage with seven open visitor car bays available.

Workshops

The workshops and warehouses comprise a number of stand-alone buildings predominantly situated on the northern corner of the site. The fabrication workshop that includes amenities, paint workshop, and grid blast workshop is located on the south eastern side of the block and additionally, there is an open storage shed and storage shed orientated to the western and south western sections of the site, respectively.

Ancillary

There are 73 uncovered car bays (including one commercial vehicular width bay) provided towards the western front of the property, plus a middle entry area vertically from the Wood Street frontage that also has a number of uncovered car bays.

The low site coverage offers opportunities to further develop the property.

Bassendean, Perth

3 Bridge Street, Pymble, Sydney, NSW

Location

3 Bridge Street, Pymble, Sydney, is located adjacent to the intersection of Bridge Street and the Pacific Highway, approximately 100 metres to the north of the major intersection between Ryde Road/Mona Vale Road and the Pacific Highway. These major transport routes provide direct access to Chatswood, the Northern Beaches, North Ryde, the M1 and M2 Motorways, as well as the Lower North Shore and Sydney CBD.

Pymble is an upper north shore suburb of Sydney, located approximately 20 kilometres north of Sydney GPO, on the main northern railway line. Pymble Railway Station is situated approximately 600 metres north west of the property. A bus stop is located directly in front of the property on the Pacific Highway.

Improvements

Erected upon the site is a five storey commercial office building comprising two floors of open basement car parking and three upper floors of modern offices together with on-grade parking to the rear, for a total of 100 car spaces.

Building condition and utility

The property was originally constructed circa 1980's and most recently refurbished in the late 1990's. The property is in good condition throughout commensurate with its age and use as commercial offices.

Accommodation and internal finishes

Levels 3 - 5

The building comprises a side core along the north western alignment with an additional lift along the south western alignment. The north western aligned lifts provide access to all levels including the basement parking.

The office accommodation is finished with commercial grade carpet, plasterboard walls, part aluminum framed glazed partitions, and acoustic ceiling tiles with recessed fluorescent tube lighting. Generally the floors have a perimeter office / meeting room layout with either an open plan layout or offices to the centre of the floor.

There are balcony areas to each of the levels which wrap around three elevations.

Levels 1 - 2

The reception is situated on Level 1 on the south western alignment of the building and can be accessed directly from the basement car park and the rear on grade car parking area. The basement car park is spread over a lower, mid and upper level with a reinforced concrete ramp providing access from the rear on grade car parking area.

The basement car park provides 63 car spaces, whilst the rear on grade parking provides 37 car spaces.

Capital expenditure

We have budgeted $1.5 million to spend on capital expenditure during the first two years from settlement, principally to replace the air conditioning system, lifts and general upgrade.

Pymble, Sydney

4. Financial information

The forecast financial information ("the Forecasts") in this section has been compiled to comply with Australian equivalents to International Financial Reporting Standards ("AIFRS"). The Forecasts are presented in an abbreviated form, so this section does not include all the disclosures required by AIFRS.

The Forecasts have been prepared for the years ending 30 June 2015, 2016 and 2017 ("the Forecast Period") and for convenience assume that the Units are issued on 30 June 2014.

The Forecasts have been prepared on the basis of the best estimate assumptions and key accounting policies set out in this section. We believe that the forecasts are reasonable.

Remember however that many factors which affect the Forecasts are outside our control and so we (or any entity in the GDI group) can not give assurance that the Forecasts will be achieved or that the Trust will be able to make distributions during or after the Forecast Period at the distribution levels forecast for the Forecast Period. Actual results may differ materially.

Forecast income statements

Set out below are the forecast income statements of the Trust for the Forecast Period.

	FY 2015 $	FY 2016 $	FY 2017 $
Net property income	6,350,724	6,541,246	6,737,483
Expenses	(100,000)	(100,000)	(100,000)
Fees[6]	(432,250)	(432,250)	(432,250)
EBIT	5,818,474	6,008,996	6,205,233
Interest expense	(1,541,942)	(1,570,051)	(1,605,317)
Net profit	4,276,532	4,438,945	4,599,916

6. The forecasts assume no performance fee is payable. For an explanation of performance and other fees refer to section 8

Forecast pro-forma balance sheet

Set out below is the forecast pro-forma balance sheet of the Trust on the basis that Units are issued on 30 June 2014.

	At allotment date $
Assets	
Investment property	71,736,250
Working capital	163,600
Total assets	**71,899,850**
Liabilities	
Borrowings	29,100,000
Debt establishment costs	(248,900)
Total liabilities	**28,851,100**
Net assets	**43,048,750**
Unitholder funds	
Contributed Equity	43,832,500
Equity issue costs	(783,750)
Total unitholders' funds	**43,048,750**
NTA per unit[7]	0.98
Debt to assets ratio[7]	40%
Debt to value ratio[8]	43%

Source and application of funds

Set out below are the sources and applications of funds on the basis that Units are issued on 30 June 2014.

Sources of funds	**$**
Issue of units	43,832,500
Borrowings (gross of debt establishment costs)	29,100,000
Total sources of funds	**72,932,500**
Application of funds	**$**
Purchase of Portfolio	66,500,000
Working capital	163,600
Portfolio acquisition costs	5,236,250
Issue costs	783,750
Debt establishment costs	248,900
Total application of funds	**72,932,500**

7. Assets includes capitalised costs, including stamp duty and due diligence costs
8. Value is based on the Independent Valuations of the Portfolio, summaries of which are included in section 14

Key assumptions and accounting policies

The Forecasts are based on these key assumptions and key accounting policies:

Basis of preparation

The Forecasts have been prepared on a going concern basis adopting the accruals and historical cost basis of accounting and in accordance with the requirements of the trust deed for the Trust, the recognition and measurement principles of applicable Australian Accounting Standards and the Corporations Act.

Investment property

The Portfolio is treated as 'investment property', that is, comprising land, buildings and improvements, and ones that are held for long-term rental income and/or capital appreciation.

At acquisition, investment property is recorded in the books of the Trust at cost, including capitalised acquisition costs. It is assumed for these forecasts that the value will not change during the forecast period.

The Portfolio is revalued from time to time to fair value as the Trustee considers appropriate. Fair value is generally determined with reference to:

- independent valuations prepared by external valuers; and/or
- market transactions considered by the Trustee to be relevant to the property; and/or
- material changes which may have an impact on value; and/or
- other matters considered relevant by the Trustee.

Gains or losses arising from changes in the carrying value of investment properties upon revaluation are recognised in the income statement of the Trust in the period in which they arise.

Revenue and costs

Rental revenue is recognised on a straight-line basis over the lease term, based on current rentals. Rental revenue not received at a reporting date is reflected as a receivable or if paid in advance, as rent in advance. It is assumed that all rental income is received.

Annual rental increases are assumed to be 3%, noting that the actual increases will be the greater of 3% or CPI + 1%.

Expenditure is brought to account on an accruals basis.

Issue costs

Costs arising on the issue of equity are recognised directly in equity as a reduction of the proceeds of equity instruments to which the costs relate.

GST

The financial information has been prepared net of GST except where noted. The Trust will be registered for GST and will generally be able to claim input tax credits in respect of GST paid.

Borrowings

Initial costs in respect of borrowings to fund the acquisition will be amortised over the term of the relevant borrowing. Initial borrowing costs are estimated to be $248,900.

Refer to section 5 for details of borrowings.

Income tax

Under current income tax legislation the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to investors.

The liability for capital gains tax that may arise if the property was sold is not accounted for.

See section 9 for more details about Tax.

Portfolio acquisition

The acquisition of the Portfolio is assumed to settle on 30 June 2014 at the acquisition price of $66.5m.

The forecasts assume no additional properties or interests in properties are acquired during the Forecast Period.

Capital expenditure

Allowance has been made for capital expenditure commitments of $1.5m over the first two years of the Trust.

Full subscription

It is assumed this offer is fully subscribed and the close date is not earlier or later than anticipated. We may enter into underwriting or subscription agreements in relation to this fundraising.

Investments

It is assumed:

- the Portfolio continues to be held beyond the Forecast Period; and
- the only other asset is cash earning interest at the prevailing rate.

Distributions

It is assumed distributions are paid quarterly in arrears at the forecast rates.

Tax advantaging of distributions

There may be tax deductions for depreciation and tax allowances based on estimates by external experts retained by us.

Fees

The management fee is 0.65% pa (excluding GST) of the Trust's gross value of non-active properties in the Portfolio and 1.0% of the Trust's gross value of active properties in the Portfolio. It is assumed that all properties in the Portfolio are non-active properties during the Forecast Period. Other fees can be payable. See section 8 for details of the fees payable.

Changes

It is assumed that no risks materialise which have a material impact on the forecasts.

Please remember

This is a new trust and so there is no performance history.

Don't forget that past returns are just that – just because they happened then doesn't mean that they will happen again. Returns are volatile and may go up and down significantly and sometimes quickly.

Historical performance is not a reliable guide to future performance.

Information on other GDI properties and performance is discussed in this Information Memorandum and is available on our website.

5. About borrowing

The Trust borrows to invest. This is often referred to as “gearing” or “leverage”. This section discusses our borrowing policy. The risks associated with borrowing are discussed in section 7.

Our approach to borrowing is measured. The Trustee benefit’s from GDI’s reputation and the quality of the Portfolio, which we believe will secure us borrowings on favourable terms with one of Australia’s leading banks.

A careful approach

Our borrowing is characterised by the following:

Our targets and our limits

- We intend to borrow $30.60 million, initially using $29.1 million of this to part fund the acquisition of the Portfolio with the balance coming from investors. The remaining part of our facility will fund a modest capital expenditure program.
- Likely gearing at close of the Offer: 43% of Independent Valuation.
- Long term targeted maximum gearing: 45% of the value of the Portfolio from time to time.

Loan term

We anticipate the loan facility will be for a term of at least 3 years.

Interest rates

Interest rates could be fixed or variable, with flexibility to manage interest rate exposure. We have assumed an average interest rate of 5% p.a. for the forecast period.

Interest cover

A property scheme’s interest cover is one indicator of its financial health. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. A scheme with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments.

Interest cover is calculated as

$$\text{Interest cover} = \frac{\text{EBITDA}}{\text{Interest expense}}$$

EBITDA is short for “earnings before interest, tax, depreciation and amortisation”.

It is anticipated that the Trust’s projected interest cover at settlement will be approximately 3.5 times.

Leading banks

We generally borrow from leading institutions, leveraging GDI’s deep lender relationships.

Ongoing management of the loan

We pay careful attention to credit conditions and we may adjust our policy as we consider both prudent and practicable. We look to manage borrowing levels effectively, and so whilst focused on regular income, available cash may be applied to reduce borrowing levels from time to time. When our borrowing facility expires we will look to replace it on terms which we consider reasonable at the time.

General matters

Generally, we can borrow at interest rates lower than that at which private individuals could borrow for property investments.

Borrowings are secured solely against the property (often called non-recourse to investors). This means that investors have no financial or other commitment beyond the amount which they have agreed to invest.

Borrowings may increase the potential returns from the Trust, but may also increase the potential losses.

The risks associated with borrowings are discussed in section 7.

6. About GDI

GDI's Board and Management Team have a 20 year track record in the Australian commercial property market successfully managing 36 projects valued in excess of $1.25 billion.

GDI Property Group

GDI is a fully integrated, internally managed property and funds management group with capabilities in ownership, management, refurbishment, leasing and syndication of properties.

GDI is a stapled entity comprising GDI Property Group Limited (ACN 166 479 189) and GDI Property Trust (ARSN 166 598 161).

GDI, through its wholly owned subsidiaries, is a high-performance property trust manager that specialises in providing income and value-add property trusts to listed and wholesale investors. GDI (and its predecessors) has a strong track record in creating wealth through astute property selection and active asset management. Over the past 20 years GDI (and its predecessors) has successfully managed 36 projects with a total value in excess of $1.25 billion.

GDI considers its approach to be unique and it is performance focused not volume driven. GDI is an active investor not a passive landlord, investing predominantly in the office sector in Australian markets with strong growth potential.

With an average of 25 years hands-on property experience, GDI's highly skilled executives, overseen by a well-credentialed and experienced Board, have amassed a reputation for delivering excellence in total annual returns to investors through a combination of income and growth.

Ongoing market, trend and asset research

GDI is an active seeker of value-add commercial property opportunities in Australia.

GDI carefully researches these markets seeking property that meets strict investment criteria. It keeps abreast of market and economic trends through regular visits to target markets and frequent interviews with a broad cross-section of market participants. It supplements its own findings with research from highly regarded property and economic research agencies.

Highly focused property asset selection and management

GDI acquires under-valued properties generally for between $5m and $200m in markets with strong upside potential. Asset selection at the right price has been a fundamental key to GDI's previous successful performance.

The key criteria it looks for when acquiring properties include excellent locations, quality tenants, acquisitions at substantially below replacement cost, good average lease expiry profiles, leases that provide for regular rental increases, future refurbishment or strata potential, and markets where vacancy rates are low or falling.

Active repositioning of assets for capital out performance

GDI invests in assets that offer early value-add potential and/or assets that provide steady growing cash flow. It seeks to aggressively improve rental streams from existing tenants and then sell properties at a premium price.

Intensive control of investments

Before making any property acquisition, GDI carefully analyses the risks attached to the investment and seeks to minimise those risks during the term of the investment. The establishment of clearly defined exit strategies and the ability to sell assets at the appropriate time of the investment cycle has enabled GDI to often maximise equity performance and reduce risk.

GDI is an astute property investor reflecting its in-depth knowledge and intensive research of commercial property markets.

National coverage

GDI has in-depth knowledge and expertise across the Australian property market. GDI currently manages property investments in Sydney, Brisbane, Perth, Adelaide, Canberra, Tasmania and South East Queensland.

Who are our investors?

Investors in GDI managed funds are a select group comprising approximately 1,000 predominantly sophisticated, high net worth individuals and DIY super funds.

Many of our investors have had an association with GDI since the mid-1990s and have consistently reinvested on the closure of each fund. Once you are a GDI investor, you can participate in our Club Benefits' program, including receiving priority to invest in new property funds launched by the Group.

Complying and self-managed superannuation funds can of course participate in GDI funds. GDI funds are 'widely held trusts' as superannuation law contemplates and are thus allowable investments for trustees of complying superannuation funds.

The directors and management of GDI are always accessible and welcome direct contact with investors. For more information on GDI and the performance of previous GDI funds visit our website www.gdi.com.au.

Graham Kelly

Non-executive Chairman

Mr Kelly is a professional non-executive director with over 40 years' experience in academic life, Government Service, the Diplomatic Service, private legal practice and business management.

Mr Kelly has chaired several listed entities including the Tishman Speyer Office Fund and Centrebet International Limited. He is also a Governor of the Centenary Institute for Cancer Medicine and Cell Biology, as well as being a director of a number of unlisted companies. Mr Kelly was previously the chairman of, among other listed companies, TAB Limited, Recruitment Solutions Limited and Colonial First State Private Capital Limited, a director of the State Bank of NSW (later Colonial State Bank) and a Trustee of the Commonwealth and Public Sector Superannuation Schemes.

From 2005 to 2008, Mr Kelly held appointment as the Inspector of the Independent Commission Against Corruption (NSW). Mr Kelly was previously a Partner of Freehills, specialising in corporate and Government law. He was Managing Partner of the Sydney office from 1991-1995 and also national chairman of the firm from 1993-1995.

Steve Gillard

Managing Director

Mr Gillard has had over 30 years' experience in property related industries and is a Fellow of the Australian Property Institute. Mr Gillard has spent over 11 years working for major agency firms in property management, subsequently specialising in investment sales and development site sales for Colliers International and DTZ.

In 1991, Mr Gillard moved to the financial markets where he spent seven years as a senior analyst for international stockbroking firms, specifically in the property and tourism sectors. Mr Gillard completed many major property and tourism related capital raisings during this period. For the next seven years Mr Gillard advised ASX and unlisted companies on the acquisition and sale of property and related businesses. Since Mr Gillard joined GDI group in 2005, assets under management has grown from $70 million to $867 million.

Anthony Veale

Non-executive Director

Mr Veale has 36 years' experience in the property industry, of which 33 years has been in Australia. For 16 years Mr Veale held directorships in various major real estate agencies, where he focused on sales of major shopping centres and office investments.

In 1993, Mr Veale jointly established Grosvenor Project Marketing (with a third party no longer associated with GDI group) now known as GDI group. Mr Veale has been involved in launching 36 investment property funds and projects with a total value in excess of $1.25 billion. Mr Veale has established a highly respected and long-standing performance track record in managing successful property investments.

Gina Anderson

Non-executive Director

Ms Anderson brings 12 years of experience as a director serving in both non-executive and executive director capacities. Ms Anderson is currently an Advisory Board Member of the Australian Charities and Not-For-Profits Commission, Chair of Women's Community Shelters Limited, and a Director of The George Institute for Global Health.

Ms Anderson is a senior professional with diverse experience in an ASX Top 10 public company, large private company and non-profit organisation, having held chief executive, corporate affairs, stakeholder engagement, communications, project management and human resources roles. Whilst leading an industry association, she successfully led advocacy and lobbying efforts resulting in highly successful legislative outcomes for that industry.

Ms Anderson has established strong professional, business, government and community links. Ms Anderson's professional profile includes an entry in Australia's Who's Who and participation in the 2008 Australia 2020 Summit. Ms Anderson is regularly invited as a speaker both in Australia and internationally.

Les Towell

Non-executive Director

Mr Towell has over 45 years' experience in the financial services industry, specialising in compliance, trustee services and private company directorships. Mr Towell worked for Perpetual Limited for approximately 28 years, holding positions including State General Manager Western Australia, Chief Executive Officer Personal Trusts and Deputy Group General Manager.

Mr Towell has been an independent non-executive Director of GDI Funds Management Limited (in its personal capacity and as trustee of any trust) since 2003 and GDI Investment Management Pty Ltd for 15 years.

The GDI management team

Steve Gillard

Managing Director

See GDI Board.

David Williams

Chief Financial Officer and Joint Company Secretary

Mr Williams has over 20 years' experience in the accounting, banking and real estate funds management industries, most recently as Director, Corporate Finance at Patersons Securities Limited and previously as Director, Investment Banking at Bank of America Merrill Lynch.

Mr Williams holds a Bachelor of Laws, Bachelor of Commerce degree and is a Member of the Institute of Chartered Accountants.

John Garland

Head of Property

Mr Garland has over 25 years' experience in the property industry and joined GDI group in 2008. Prior to this, Mr Garland spent 11 years as general manager of a private property investment company focusing primarily on value-add style commercial and industrial property investments.

Mr Garland has extensive experience in acquisition, purchase due diligence, asset management, development and sales in projects ranging from $10 million to $350 million. Previously, Mr Garland held senior management and leasing roles with large commercial real estate firms working with both private and institutional clients.

Paul Malek

Asset Management and Joint Company Secretary

Mr Malek has over 26 years' experience in the financial services industry with both bank and non-bank financial institutions specialising in funding for commercial real estate with private and institutional clients.

In addition to arranging GDI group's funding requirements, Mr Malek also has extensive experience in asset management and is responsible for managing the Mill Green Complex.

7. About risk and return

Introducing risk and return

All investments are subject to varying risks and generally all go up and down in value (that is, you can experience investment gains or investment losses). Changes in value can be significant and even with office property, they can happen quickly. Different types of investments perform differently at different times and have different risk characteristics and volatility.

These are some of the reasons why you should consider investing in different types of investments (referred to as diversification).

What about the risks of this Trust?

The significant risks for this Trust, and the ways we aim to manage them, are discussed below. We can't eliminate all risks and can't promise that the way we manage them will always be successful.

If these risks happen, your distributions may be lower than expected or there may be none, and the value of your investment could fall.

The significant risks for this trust are as follows:

General risks

Market risk

Economic, technological, political or legal conditions, and even market sentiment, can (and do) change and this can mean that changes in the value of investment and property markets can affect the value of the Portfolio. Recent times have shown that changes can be global and substantial, and happen quickly.

The Trustee uses research and analysis to form a view on these matters as best it can and will look to optimise the time at which it sells properties.

Property investment risk

Individual investments change in value for many reasons.

Some factors, many particular to the property market, can affect value and income, and these include:

- the level of supply of and demand for properties and leases, both in the immediate location of the properties in the Portfolio and in the wider property markets
- actions of competing investment managers and funds
- actions of those seeking to lease industrial and office space
- competing properties coming on-stream
- the ability to sell any of the properties or the Portfolio on favourable terms when the Trustee considers that a property or the Portfolio should be sold
- a downturn in the property sector, or other investment sectors generally
- damage to a property such as by fire, storm or water which is not otherwise covered by insurance taken out by the Trustee and/or the tenant
- the ability to obtain needed regulatory approvals
- the need to reduce rents and make payment to tenants during property work
- changes in pricing or competition policies of any competing properties, tenants and markets
- changes in regulations
- reliance on the opinions of others such as for valuations and in due diligence
- changes in operating costs such as insurance premiums, maintenance and capital expenditure, and transaction costs; and
- the risks of dealing with others (such as sellers, purchasers, financiers and tenants) who may not comply with their agreements or act reasonably.

The Trustee manages a number of the property related risks by taking out and maintaining appropriate levels of insurance.

Interest rate risk

Changes in interest and exchange rates can have a positive or negative impact directly or indirectly on investment values or returns. For example, the cost of borrowing can decrease or increase and changes in exchange rates can make markets in which tenants operate struggle financially.

The Trustee may not use financial instruments (such as derivatives) to limit (or hedge against) the impact of interest or exchange rate movements for all or any of the borrowings. Increases in interest rates could reduce distributions.

Borrowing risk

There is a risk that any loan would need to be repaid at short notice. The main reason for this would be if we breached our obligations to the lender or a new facility was not available in a timely manner. We may need to sell some properties or the Portfolio at a time when we would otherwise not sell.

There is a risk that when a loan expires it cannot be replaced on terms considered acceptable or at all, and so we again may need to sell some properties or the Portfolio.

There is also a risk that the provider of our loan could suffer financial difficulty although we only borrow from reputable large institutions such as Australian banks or insurance companies.

The Trustee manages this risk by following strict investment and risk guidelines and dealing with respected lenders.

Borrowing may increase the potential return of the Trust but may also increase its potential losses.

Remember, amounts owing to lenders and other creditors of the Trust rank before an investor's interests in the Trust.

Establishment risks

Risks particular to the Trust include that the current owner of the portfolio may not meet its promises.

If it failed to complete then we would assess the best option, which may be to return investor moneys or to pursue the vendor for legal remedy.

We may not raise the minimum amount required to fund the acquisition by the time stipulated in the contract, and if this happened, the vendor may still require us to complete the contract and our not doing so could lead to additional costs to the Trust or increased borrowings.

Other risks include that the Trust could terminate early, the fees and expenses could change, we could be replaced as Trustee and/or the management team could change.

Liquidity risk

The Trust is not listed so selling your Units through a stockbroker is not possible.

You may transfer Units to whomever you choose, but there is not any established market and you may not find a willing buyer.

The Trust is not a liquid type of investment and you might not be able to get access to your money until sale of the Portfolio after 7 years. Generally there is no obligation on the Trustee to redeem ordinary Units, though we may try to facilitate a transfer (as discussed above).

Specific risks to the Trust

Financing risk

There is a risk that we may not be able to secure borrowings on terms similar to those contemplated in this Information Memorandum. This may result in higher interest costs or the need to raise more equity, both of which may result in lower distributions.

Single tenant risk

The Portfolio is leased to UGL Limited, which has recently announced its intention to undertake a major corporate restructure. There are a number of risks associated with the Portfolio being leased to a single tenant, that tenant being UGL Limited which has announced an intention to restructure, including a risk that:

- the strength of the lease covenant is lessoned as a result of the restructure and/or a general downturn in UGL Limited's financial viability, impacting the capital value of the Portfolio;
- UGL Limited defaults on any of its lease terms and as a consequence, either has to vacate one property or the entire Portfolio which can then not be leased on similar terms;
- UGL Limited defaults on any of its obligations to maintain the properties to their existing standard and as result, either has to vacate one property or the entire Portfolio, or the standard of the property or Portfolio depreciates to such a level that it is unable to be re-leased or sold;
- UGL Limited relocates the activities it undertakes on the properties to alternative sites, or UGL Limited loses contracts to competitors that have alternative facilities, impacting the capital value of the properties until such time as alternative plans for that property are finalised or alternative users identified;
- an event of default on any of UGL Limited lease terms may lead to a default under our borrowing facilities. In such circumstances, properties or the entire Portfolio may have to be sold to repay the lender.

Environmental risks

There is a risk that UGL Limited does not comply with the terms of its lease in relation to remediation of existing or future contamination caused during its period of occupancy and the cost of undertaking the remediation exceeds UGL Limited's $10 million performance bond held by the Trustee.

There is a risk that the Baseline Reports, which establish the level to which UGL Limited must remediate the properties, do not identify all the existing environmental issues on the properties. This may result in the Trust being responsible for some or all of the remediation costs relating to any contamination issues currently on the properties that were not identified in the Baseline Reports.

There is a risk that the Trustee's due diligence has not identified all contamination on the properties and has therefore not adequately dealt with remediation in the lease terms.

Redevelopment risks

There is a risk that the Trustee's plans for a particular property might not be approved by a regulatory body, may not be able to be funded or may not be able to be delivered for any number of reasons. In the event that a property was redeveloped, there is a risk that the property's value may be lower than forecast, the redevelopment costs were higher than forecast or that the redevelopment timeframe may be longer than anticipated, all of which would impact the Trust's returns.

Building obsolescence

There is a risk that if UGL Limited no longer occupies a property or the Portfolio, either due to a default during the term of the lease or at the end of the lease term, the Trust would be required to undertake capital expenditure to either attract a new tenant or sell the property or the Portfolio.

Term of Trust

Although the investment timeframe is seven years, the Trust has an effective life of 80 years. There is a risk that we may not be able to realise all the properties in the Portfolio, within the investment timeframe. If this was the case the Trust's term would likely extend beyond seven years.

As a result of the general and specific risks, your distributions from the Trust may differ from that expected or there may be none, and the value of your investment could fall.

8. Fees and expenses

Establishment cost	Nil.	The Trustee does not pay commissions to advisors. You may direct the Trustee to pay your advisor a professional fee for service of either a nominated dollar amount or up to 3% (including GST) of your Application Amount for Units issued under the offer. This will be deducted from your Application Amount and then paid to your advisor on completion of the offer. The net amount of your Application Amount, after deducting the professional fee for service, will be invested into the Trust.
Exit fee	Nil.	Nil.
Trust management fee	0.65% pa (excluding GST) of the Trust's gross assets for non-active assets. 1.0% pa (excluding GST) of the Trusts gross assets for active assets	Charged on gross assets (that is, including borrowings), calculated and paid generally as at the end of each month from Trust assets.
Debt arranging fee	0.4% (excluding GST) of the amount of any debt facilities arranged by the Trust.	Paid from the Trust assets within 30 days of the initial draw down.
Due diligence, acquisition and offer management fee	2.5% (excluding GST) of the purchase price	Paid from the Trust assets after the close of the offer.
Project management	Up to 5.0% (excluding GST) of the project costs, if managed in house (generally for work of a refurbishment nature).	If outsourced however, such a fee will not be taken to the extent it is payable to the third party, and investors should note that external expenses in such a case may be higher than in house costs.
Leasing fee	Up to 15% of the first years rent on any new leases	If outsourced however, such a fee will not be taken to the extent it is payable to the third party. The Trustee will only be entitled to a leasing fee if, in its sole and absolute opinion, it was either wholly or partly responsible for a party entering in to a lease.
Disposal fee	2.0% (excluding GST) of the sale price (or effective sale price) of the property.	Payable from the Trust within 30 days of receipt of proceeds of such disposal or any indirect realisation.
Performance fee	20.0% (excluding GST) of any of the Trust's after fees and costs performance above a per annum IRR of 12.0%.	Payable from the Trust within 30 days of receipt of proceeds of disposal of any of the properties or any indirect realisation.
Removal of trustee	A termination fee is payable to the Trustee if (in spite of restrictions on the investors ability to do this), investors cause the removal or retirement of the Trustee for reasons other than a breach by the Trustee of its duties	The termination fee is a sum representing: • any fees payable and not yet paid or which have been deferred as at the date of retirement of the Trustee; and • the net present value of future management fees from the date of retirement or removal to the 7th anniversary of the commencement of the Trust (there is a cascade down to 1 year if a court strikes the period out).

Non-active and active assets

The Trust will be charged a non-active management fee at commencement. Non active assets are generally passive investments that are fully leased, where refurbishments have been completed.

Active assets are those where the Trustee is actively involved in asset management to reposition an asset, including but not limited to such activities as lease negotiations and renewals, re-imaging and refurbishment, strata sub-division and sell down.

It is possible that during the term of the Trust some of the properties in the Portfolio will become active.

Ongoing administration expenses

All expenses incurred by the Trustee in relation to the proper performance of its duties in respect of the Trust are payable or reimbursable out of the Trust.

This includes Trust establishment, promotion, licensing, borrowing, registry and delegate fees (including of the Trustee), as well as termination costs, travel, accommodation and compliance costs. This could include fees and costs paid for administration services provided by or expenses incurred by a related party of the Trustee on behalf of the Trustee, but always on an arms-length basis.

Under the Trust's trust deed, there is no specific limit on the level of expense recovery from the Trust. However GDI estimates that usual costs will be in the order of a maximum of 0.10% per annum of the Trust's gross assets (unusual expenses such as disputes, investor meetings and termination are in addition to this).

Changes in fees and costs

All fees can change. Reasons might include changing economic conditions and changes in regulations.

The Trust Deed for the Trust sets the maximum amount we can charge for all significant fees. If we wished to raise fees or performance fees above the amounts allowed for in the Trust Deed, we would need to amend the Trust Deed.

We will give you at least 30 days written notice of any proposed increase to fees.

Government charges

All government charges such as stamp duty and GST will be deducted from the Trust or your account as relevant to you.

Postponing the charging of fees and charges

We can delay taking fees and charges from the Trust should we choose.

Does anyone else receive fees?

We may retain experts and consultants to assist us from time to time. These arrangements are always on arm's length terms and paid as an expense of the Trust.

We may also pay some of our own fees from time to time, for example to brokers and advisors who may underwrite the issue.

9. What about tax?

The taxation information in this Information Memorandum is of a general nature only, is current at the date of this Information Memorandum and is relevant for resident investors who hold their Units as long term investments on capital account.

This is not tax advice.

The impact of tax varies according to individual circumstances and investors are advised to seek their own tax advice before investing or dealing with their investment.

Australian resident investors

The basics

The Trust is an Australian resident trust for Australian tax purposes.

The Trust will not pay tax on its taxable income, but rather investors will be taxed on their proportionate share of the Trust income earned by the Trust. Accordingly, all taxable income that an investor becomes entitled to during the year should generally be included in the investor's tax return in the year in which entitlement arises. This includes income that an investor has reinvested and income that an investor is entitled to but has not received.

We will provide investors with an annual tax statement.

Distributions from the Trust

The Trust's trust deed provides that an investor will be presently entitled to their proportionate share of distributable income. The distributable income of the Trust may include income and capital gains from its investments in real property and cash.

The tax implications for investors will depend upon the components of the distributions. Tax deferred income / return of capital distributions from the Trust may include tax deferred income or a return of capital. Such amounts are not taxable as income to investors when distributed but rather will give rise to cost base adjustments to investors' Units for capital gains tax purposes. These adjustments could result in either an increased capital gain or a reduced capital loss when the Units are subsequently disposed of or redeemed.

Capital gains

The Trust's investment in real property is treated as being on capital account for taxation purposes and as such the Trust may make a taxable capital gain or loss. If the Trust disposes of a property a distribution may include capital gains. This will be identified in the annual tax statement to ensure that investors can calculate their net capital gain position. Broadly, where the Trust disposes of an asset it has held for more than 12 months it may be eligible for discount capital gains concessions.

Disposal of Units

Investors may be liable for tax on capital gains realised on transferring or otherwise disposing of Units in the Trust. In order to determine their capital gain position investors will need to adjust the cost base of their Units in the Trust for any tax deferred distributions that were received from the Trust. Investors may also be entitled to discount capital gain concessions where the Units have been held for more than 12 months. The Trust does not issue a separate capital gains statement if the investor disposes of Units in the Trust.

Capital allowances

The property should be subject to capital allowance provisions under relevant income taxation laws allowing for depreciation deductions. When a property is disposed of, any amounts assessable/ deductible will be determined in accordance with the capital allowance provisions under relevant income taxation laws and under the capital gains provisions (under such circumstances any capital gain or loss is disregarded).

Social security

Investing in the Trust may affect an investor's entitlement to social security as their investment may be included in the income and assets tests of Centrelink and the Department of Veterans' Affairs. Investors should obtain professional advice concerning the particular social security implications for their circumstances.

Goods and services tax (GST)

The issue of Units in the Trust is not subject to GST. However, fees and expenses incurred by the Trust, such as management fees, will attract GST at the rate of 10%. The ability of the Trust to claim input tax credits will depend on the circumstances of each transaction/ taxable supply acquired by the Trust.

The Trust will not be entitled to claim input tax credits for the full amount of the GST incurred on some expenses, however the majority of expenses incurred by the Trust upon which GST is charged will be eligible for input tax credits. From 1 July 2012, a Reduced Input Tax Credit (RITC) of either 55% or 75% of the GST paid may be claimed (depending on the particular acquisition) for the expenses where GST is not fully claimable. Any unclaimable GST charge on fees and expenses is incorporated into the management costs for the Trust and will form part of the Trust expenses. Note however that an entity is able to claim full input tax credits for acquisitions that relate to the making of financial supplies if the value of the GST on the supplies made to that entity for a rolling 12-month period does not exceed $150,000.

Non-resident investors

The following comments are general in nature and are based on the Trust qualifying as a managed investment trust for the purposes of the withholding tax rules.

We note, where one non-resident investor holds or has the right to hold 10% or more of the value of the interests in the Trust, membership interests, or distributions of income of the Trust, the Trust may not qualify as a managed investment trust and will not qualify for the concessional withholding rates.

Non-resident investors should seek independent tax advice before investing, taking into account their particular circumstances and the provisions of any relevant Double Taxation Agreement between Australia and their country of residence.

Tax on income

Generally, a final withholding tax will apply to distributions that include any Australian sourced interest at the rate of 10%. We are required to withhold tax on your behalf in respect of any other Australian taxable income distributed by the Trust. The rate of withholding tax on "other" income differs depending on whether the investor is a resident of a country with which Australia has an Information Exchange Agreement.

"Other" Australian taxable income does not include interest or capital gains not related to 'taxable Australian property' and non-Australian source income.

For investors that are tax resident in countries that hold a tax Information Exchange Agreement (IEA) with Australia, the withholding tax rate is 15% applying from 1 July 2012. This is a final tax. A final tax means an investor is not required to lodge an Australian tax return and expenses cannot be claimed against the taxable income.

The withholding tax rate for "Other" Australian taxable income is a 30% final tax for Investors who are tax resident in countries that do not hold an IEA with Australia.

Tax on disposal of Units

A non-resident investor makes a capital gain on the disposal of Units in the Trust where the Units constitute 'taxable Australian property'. A Unit may not be "taxable Australian property" if the Foreign resident (together with any associates) does not hold more than 10% of the units in the Trust at the time of disposal, and has not held 10% or more the units in the Trust throughout a 12 month period during the 24 months preceding the disposal.

Tax File Numbers

Collection of an investor's TFN is authorised and their use and disclosure strictly regulated by the tax laws and the Privacy Act 1988.

Investors may quote a TFN or claim a TFN exemption in relation to their investment in the Trust when completing their application form. Investors may quote an ABN instead of a TFN if they are making this investment in the course of an enterprise carried out by them.

If an investor chooses not to quote a TFN, TFN exemption or ABN, we may be required to deduct tax at the prescribed rate from that investor's income distributions. At the date of the Information Memorandum this was the highest marginal rate plus Medicare levy.

10. About the Trust

How long is this investment?

You should consider this as an investment for at least seven years, although we may dispose of properties in the Portfolio, or the entire Portfolio before this, and the term could potentially be a little longer depending on market conditions at the end of the investment term.

The Trustee intends to sell any remaining properties in the Portfolio as soon as it considers in the best interests of investors to do so after the 7th anniversary of the close of this offer. This initial fundraising will close on the earlier of 20 June 2014 or when $43.8 million in equity is raised, but the offer may close earlier than this or may also be extended.

Market conditions at the time and the availability of a willing buyer at a price the Trustee considers reasonable in that market will be key drivers as to the precise timing of any sale. Delays after the seven year timeframe could be several months or longer.

The Trustee may terminate the Trust so that the sale happens as part of the winding up of the Trust and the return of the net proceeds to investors.

A sale of a property or the Portfolio could take other forms, such as a commercial arrangement to sell units, or merge the Trust or undertake some other form of reorganisation. The Trustee does not need to seek approval from investors for a reorganisation if the Trustee believes it is in investors' best interest and the Initial Investor approves.

Could this investment be less or more than seven years?

Yes it could.

Although the intention is to hold the Portfolio for seven years, we could sell some or all of the properties at any time prior to the 7th anniversary. Further, although the intended term is 7 years, the Trust has an effective life of 80 years.

Again, market conditions are key, as well as the availability of a willing buyer at a price the Trustee considers reasonable.

Do you use financial instruments?

What you see is what you get, an investment in bricks and mortar:

- we don't use derivatives (although might use these to manage interest rate risks, but never to invest or speculate)
- we borrow from leading and trusted lenders
- we aren't investing in any other investments
- we don't invest your cash behind the scenes except in the bank; and
- we don't deal in other currencies.

What about valuations and Unit prices?

The Portfolio will be regularly valued by independent registered valuers, generally at least every three years. There may be more frequent directors' valuations. Unit prices will be updated after valuations.

You can obtain the most recent Unit prices from our website, www.gdi.com.au or call us – our contact details are at the end of this Information Memorandum.

Is income guaranteed?

No, it is not, although our goal is to pay regular quarterly distributions.

11. Staying in touch with you

Regular reports

GDI has a philosophy of maintaining close personal contact with investors and their advisers. This is achieved through:

- regular investor briefings and the Trust's semi-annual newsletter; and
- the Trust's accounts are available each year upon request.

Investors in the Trust will be provided with a tax statement after the end of each financial year.

Most recent information

If you are further interested in the Trust, other GDI funds and their performance or the most recent Unit prices, then visit our website www.gdi.com.au or call us – our contact details are at the end of this Information Memorandum.

Important changes

Updated information which we consider significant will be made available to you. You can access this information at www.gdi.com.au or request a paper copy free of charge from your adviser or by contacting us.

A change in your details?

Investors must inform us promptly of any change to the details originally submitted on their Application Form. In order to assist with this process, refer to the "Investor Details Form" on our website.

When you want to withdraw

There is very limited access to your invested money.

Although we aim to pay regular income, this investment is illiquid and you should assume that you will not have any access to your invested money for the term of the Trust other than by way of distributions.

The intended term of this investment is 7 years plus some time after this when we are disposing of the Portfolio.

Generally there is no obligation on the Trustee to redeem Units.

What if you want to sell your Units?

The Trust is not listed on any stock exchange like the Australian Securities Exchange, so you can't sell your Units through a stockbroker.

You can transfer your Units at any time to any person willing to buy them. A transfer form and help is available on our website at www.gdi.com.au.

Transfers have tax consequences and you may need to pay stamp duty, which may be material. Transfers can be refused but we wouldn't generally do this unless we considered it in the best interests of all investors.

Enquiries and complaints

If you have a complaint, it should be made in writing. We will always acknowledge any complaint in writing and respond within 30 days. If you remain unhappy you can contact the Financial Ombudsman Service (of which we are a member):

GPO Box 3
Melbourne, Victoria, 3001
Call 1300 78 08 08
email info@fos.org.au.

FOS is an independent body that can generally assist you if we cannot.

Privacy

We and GDI use personal information about you to administer your investment and to also conduct research. Neither we nor GDI will tell anyone any information that we have about you unless:

- the law requires it;
- our administration of the Trust requires it;
- either we or GDI considers that your adviser needs the information or;
- either we or GDI, or someone else from the GDI group, uses it to send you promotional material - if you don't want this, indicate this on the Application form or just contact us anytime.

If you think our records are wrong or out of date – particularly your address, email address or adviser – it's important that you contact us and we'll correct them.

You can always access the personal information we hold about you – just contact us.

Australian anti-money laundering obligations

Australia now has laws governing money laundering and the financing of terrorism.

We are required to identify new investors and report 'suspicious' matters (the law defines this) to the regulator.

Those investors who have not invested with GDI previously will need to complete the appropriate identification form(s). It is available on our website, or alternatively we will send you the relevant form(s) for completion, to be returned to us before the offer closes.

All investors must provide us with all information regarding them and their investment which the law requires, for example, regarding your identity or the source or use of invested moneys. If you choose not to provide us with this information, we can decline to continue to provide services and the matter may become suspicious (as the law defines this).

12. Our relationship with you

The basics

The Trust is an Australian resident open-ended unit trust but is not a registered managed investment scheme and so the retail levels of protection available to registered scheme investors are not available here.

Investment in the Trust is only available to wholesale clients as the Corporations Act defines this.

The Trust Deed establishes the Trust and sets out the rules. Together with this Information Memorandum and certain laws, it governs our relationship with you.

The Trust Deed deals with a wide range of matters, including:

- application procedures;
- income entitlements;
- entitlements on winding up;
- units and transfers;
- limitations on liability of investors and the trustee;
- investor meetings;
- our powers; and
- our fees and rights to be reimbursed for expenses.

Some details are as follows and a copy of the trust deed is available free of charge on request.

Note that the Initial Investor (being GDI Investor Pty Limited ACN 141 853 410 or such person it nominates) has certain rights under the Trust Deed, including to terminate the Trust, or agree to variations in the Trust Deed or valuation method.

The structure

GDI No. 38 Pty Limited is the trustee of and issuer of units in GDI No. 38 Diversified Property Trust. GDI Funds Management Limited, through an agreement with GDI No. 38 Pty Limited, is the arranger of the issue and issuer of the Information Memorandum.

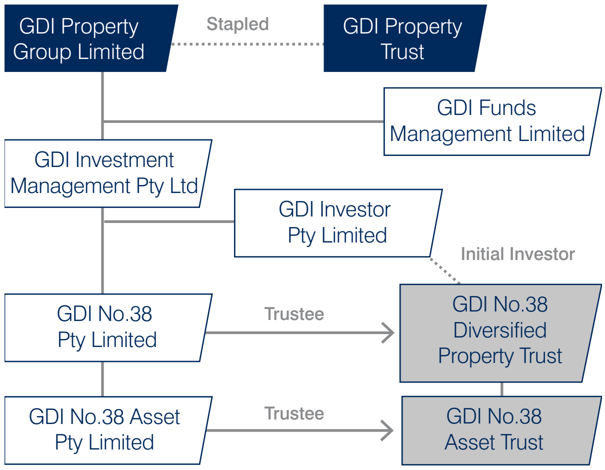
GDI No. 38 Diversified Property Trust owns all the units in GDI No. 38 Asset Trust. The Portfolio (and borrowings) are held in GDI No. 38 Trust, the trustee of which is GDI No. 38 Asset Pty Limited, a wholly owned subsidiary of GDI No. 38 Pty Limited.

A structure diagram is show on right.

Our duties

In carrying out our fiduciary duties as trustee of the Trust, if we act in good faith and without gross negligence we are not liable in equity, contract, or otherwise to investors for any loss suffered in any way relating to the Trust.

GDI structure diagram



All obligations which might otherwise be implied or imposed on us by law or equity are expressly excluded to the extent permitted by law.

The Trust Deed provides that liability to any person other than an investor in respect of the Trust is limited to our ability to be indemnified from the Trust for that liability.

We are entitled to be indemnified out of the Trust for any liability incurred by us in relation to the Trust (including any liability incurred because of a delegate or agent) subject to certain limitations.

We may take and may act on any advice, information and documents which we have no reason to doubt as to authenticity or accuracy. We are not liable for so acting or not acting in reliance on such advice, information and documents.

We may:

- be interested in any contract or transaction with ourselves (as Trustee of the Trust or in any other capacity), any associate or investor;
- deal with ourselves (as Trustee of the Trust or in any other capacity), any associate or any investor;
- act in the same or a similar capacity in relation to any other fund or managed investment scheme and retain any benefit from doing so.

Each investor indemnifies the Trustee for and the Trustee may retain and deduct from any money payable to an investor (including on winding up) or otherwise recover from an investor:

- any cost the Trustee incurs as a result of the investors action or inaction (eg a transfer fee); and

- any amount of tax (or the Trustee's estimate of it) which the Trustee is required or permitted to deduct.

Our powers

Subject to the Trust Deed, we have all the legal capacity and powers in respect of the Trust that it is possible under the law to confer on a trustee and as though we were an individual who is the absolute owner of the assets of the Trust acting in our personal capacity. In our capacity as trustee we are not the agent of any investor or investors, except to give effect to a Reorganisation Proposal (discussed below). Specific powers conferred on us under the Trust Deed include powers to:

- borrow, grant security, grant guarantees and indemnities and to enter in to derivatives;
- invest (which we will do though the ownership of the sub trust) and to lend (which we may do to the sub trust);
- appoint an agent or delegate to perform any act or exercise any discretion within our own powers, including to a related body corporate or associate; and
- with the consent of the Initial Investor, appoint or remove an Investment Manager, including an Investment Manager that may be a related body corporate or associate.

Reorganisation Proposal

Provided we deem that it is in investors best interests and with the approval of the Initial Investor, we may give effect to a reorganisation proposal without approval from investors including a sell-down of assets or Units to realise investors' investment, a restructure by exchange of Units for other interests of stapling to another entity. The Trust Deed gives us power to do all things necessary to give effect to a reorganisation proposal and where required, act as investors' agent.

Investor meetings

Calling a meeting

We may at any time call a meeting of investors to consider any matter, including resolutions.

We must convene a meeting if requisitioned to do so by the Initial Investor or, if a "retirement event" (discussed below) has occurred, requisitioned by at least two investors together holding at least 25% of all Units whose votes may be cast on the resolution. Investors have no other rights to convene a meeting.

Notice

A meeting of investors must be convened by notice sent to every investor entitled to attend and vote at the meeting.

Notices must set out the general nature of the business to be transacted. The form of the notice, the time and place of the meeting and the manner in which the meeting will be conducted (for example, the order of business and proxy mechanics) are otherwise all decided by us.

We must give at least 10 business days' notice of a meeting to relevant investors, or such shorter notice as investors agree.

Quorum

The quorum for a meeting of investors is at least two investors present in person or by proxy, unless:

- the Trust has only one investor who may vote on a resolution, in which case that one investor may appoint a proxy to exercise a proportion of the investor's votes and those two persons will constitute a quorum;
- if a quorum is not present within 15 minutes after the scheduled time for the meeting, the meeting is:
  - dissolved if it was convened on the requisition of investors; or
  - adjourned to such place and time as the Trustee decides.

At any adjourned meeting, those investors present in person or by proxy constitute a quorum.

The chair

We may appoint a person acceptable to the Initial Investor to chair a meeting of investors.

The decision of the chair on any matter relating to the conduct of the meeting (for example who can address the meeting) is final.

The chair has power to adjourn a meeting for any reason to such place and time as the chair thinks fit.

The chair of the meeting has a casting vote.

Voting

Voting is by a show of hands, unless a poll is duly demanded or the resolution proposed is required by the Trust Deed or by law to be decided by a percentage of all Units.

The chairman, the Initial Investor, or any five investors present in person or by proxy holding at least 25% by value of Units and entitled to vote on the issue, may demand a poll.

On a show of hands each investor has one vote. On a poll each whole Unit is worth one vote.

All resolutions decided on a show of hands will be passed if at least 50% of persons entitled to vote and voting (in person or by proxy) on the matter vote in favour. All resolutions decided on a poll will be passed if at least 50% by number of whole Units voted (in person or by proxy) on the matter vote in favour, except special resolutions (for example, a resolution to remove the Trustee or that it retire) in which case it is 75% rather than 50%.

The Trustee and any associate may vote on all resolutions.

If a Unit is held jointly, only the person whose name appears first in the register may vote, unless we agree otherwise.

A resolution binds all investors, whether or not they were present at the meeting.

Other matters

A meeting of investors, any notice of meeting or any proceeding at a meeting is not invalidated because of the accidental omission to give notice of the meeting or the non-receipt of the notice.

We may hold meetings any way we decide for example, phone hook-up, video conference, electronic voting, circular resolution or the necessary investors agreeing in writing (including e-mail and fax.

Change of Trustee

The Trustee may retire on one month's notice to investors (or any shorter period as investors agree). On retirement, the Trustee may appoint in writing another person to be the Trustee.

The Trustee must retire:

- if required by law;
- if all investors direct in writing;
- if the Initial Investor gives at least one month's notice or such shorter notice as the Trustee accepts in which case the Initial Investor will replace the Trustee as it chooses; or
- if a retirement event has occurred and investors have requisitioned a meeting and passed a special resolution by vote in favour of at least 75% by number of Units voted (in person or by proxy).

A retirement event is:

- the Trustee has failed to act in good faith or been grossly negligent in carrying out its role in respect of the Trust and caused material loss or damage to the Trust or Investors which (being capable of remedy) is not remedied within 30 days of receiving written notice of the failure from the initial Investor;
- the Trustee is placed in liquidation;
- the Trustee has a receiver or receiver and manager appointed to its own property;
- the Trustee becomes insolvent meaning that it is not able to meet its debts as and when they fall due;
- it becomes unlawful for the Trustee to perform its obligations under the trust deed; or
- the Trustee elects or has an approval or licence necessary for it to perform its obligations under the trust deed revoked.

Investors otherwise have no right to remove and replace us.

If we are required to retire we are entitled to fees and expenses up to the date of retirement and a termination fee is payable in certain circumstances – see section 8.

Income and distributions

The Trustee must determine the amount of distributable income of the Trust for each financial year or more frequently if the Trustee intends to pay more frequent distributions. Investors will be presently entitled to a share of the distributable income in proportion to the Units held at the end of the financial year, and the Trustee must distribute that amount within 3 months.

13. The contracts and the leases

Key terms of the contracts for sale ("Contracts") for each of the properties, the leases for each of the properties and any material differences between the standard contract or lease and that as it applies to a particular property, are provided below:

- Contracts were exchanged on 23 May 2014 for the purchase of 6 industrial properties and one commercial office property, situated in NSW, QLD and WA for a combined price of $66.5 million;
- Completion of each Contract (other than the property at Bassendean, WA) is due on 30 June 2014 or such later date nominated by the Trustee, being a date not more than 90 days after the date of the contracts exchange, although it is proposed to call forward completion to on or around 30 June 2014;
- Due to regulatory requirements, the sale of the property at Bassendean, WA is subject to approval by the WA Department of Environment Regulation. If approval is not obtained within 6 months of completion of the other properties, the Trustee will be entitled to terminate that sale and recover its deposit. In addition, if the sale of the property at Bassendean, WA does not proceed, UGL Limited has agreed to reduce the price of all other properties by a combined total of $5 million, such sum to be set aside in a retention account at the time of completion of the other properties;
- The commercial office property at Pymble is purchased subject to the Trustee spending $1.5m of capital expenditure on the property over a period of 2 years from completion of its purchase. Any of this amount not expended at the end of that 2 year period, is to be paid to UGL Limited;
- Each property has been environmentally assessed prior to exchange of contracts and any identified remediation required to be undertaken to a property to enable its ongoing use by UGL Limited, is to be undertaken by UGL Limited (at its cost) over the course of its lease. As further assurance, UGL Limited has agreed to provide a $10 million performance bond pending completion on all properties of any remediation works required to be undertaken by UGL Limited;
- Each property is purchased subject to a 10 year lease to UGL Limited;
- UGL Limited occupies each of the industrial properties at its own risk. Rent is therefore payable by UGL Limited irrespective of whether the properties can be used for any particular purpose (with the exception of where the Trustee has caused the disruption or damage).
- The industrial properties are leased to UGL Limited on a Triple Net basis with all responsibility for maintenance, outgoings and structural repairs passed to UGL Limited as tenant;
- The office property is leased to UGL Limited on the basis of the tenant being responsible for all outgoings (Net lease);
- UGL Limited has an option for a further 5 year term on each property, other than Broadmeadow where it has an additional 5 year option term (2 x 5 year options);
- No lease can be assigned or transferred by UGL Limited without the prior written consent of the Trustee, which can be withheld in the Trustee's absolute discretion;
- At the end of each lease term, UGL Limited is required to procure updated environmental assessments of the relevant property and statutory certification that the property can be used in the future for industrial purposes. Any remediation required before the issue of the statutory certification must be undertaken by UGL Limited (at its cost) prior to it ending its tenancy. If the remediation is not completed by the specified terminating date under the UGL Limited lease, a further performance bond will be required to be delivered by UGL Limited in an amount equal to the cost of any remediation, as assessed by an independent expert. UGL Limited will remain in occupation under its lease, on month to month basis until the statutory certificate is issued;
- Total commencing rent for the Portfolio is $6,350,724;
- Rent increases annually at the greater of CPI+1%, or 3%;
- If an option is exercised, a market review of rent will be undertaken with the new rent being no less than the prior year's rent and increased by no more than 10%;
- The leases of the properties at Bassendean and Broadmeadow entitle UGL Limited to a first right of refusal should the Trustee propose to sell either of them in the future;
- If the Trustee wishes to redevelop the whole or any part of the properties at Bassendean or Broadmeadow in the first 10 year term of the UGL Limited leases, the Trustee has agreed to consider a profit sharing arrangement with UGL Limited as part of any re-development proposal;
- Other than as stated above and any State specific requirements, all contracts and leases have been entered into on substantially the same terms and conditions.

14. Independent valuation report

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savills.com.au

GDI No. 38 Pty Limited ATF GDI No. 38 Diversified Property Trust C/- Mr Paul Malek, Company Secretary
GDI Property Group
56 Pitt Street
Sydney NSW 2000

3 June 2014
Ref: Macintosh HD:Users:chrisdoherty:Dropbox:Desk:GDI_38:IMAGES:prospectus summary letter.docx

Dear Sirs,

VALUATION SUMMARY LETTER
PROPERTIES: UGL INDUSTRIAL PORTFOLIO
DATE OF VALUATIONS: FEBRUARY 2014

Savills Valuations Pty ltd have received instructions from GDI No. 38 Pty Limited ATF GDI No. 38 Diversified Property Trust requesting a market valuation of the freehold interest subject to existing tenancies of the following portfolio of properties.

- 5 & 13 Wood Street, Bassendean, WA
- 46 - 48 Anderson Street, Port Hedland, WA
- 891 Ingham Road, Bohle, QLD
- 91 Connors Road, Paget, QLD
- 16 Broadmeadow Road, Broadmeadow, NSW
- 3 Bridge Street, Pymble, NSW

This valuation summary letter has been provided for inclusion in the Offer Document to be issued by GDI No. 38 Pty Limited ATF GDI No. 38 Diversified Property Trust. We have prepared comprehensive format valuation reports in respect of each individual property which are available upon request from GDI Funds Management Limited. The following is a summary of those reports. Parties seeking detailed information of our valuation should refer to the full valuation reports held by GDI No. 38 Pty Limited ATF GDI No. 38 Diversified Property Trust. We confirm our valuation was prepared in accordance with the Corporations Act and API guidelines.

PROPERTY SUMMARIES

The subject properties are described as follows:

5 & 13 Wood Street, Bassendean, WA

The property comprises a dated workshop and office facility comprising several structures of varying construction totalling 10,968m² on a site of 36,160m². Buildings included free standing offices of brick construction, amenity buildings, several engineering workshops of varying truss heights, painting sheds, blasting sheds, and various fabrication buildings. The subject property is located within the suburb Bassendean and is within the Local Government Area administered by the Town of Bassendean.
More particularly the subject property is located to the northern side of Wood Street approximately 500m from the intersection of Wood Street and Railway Road.

46-48 Anderson Street, Port Hedland, WA

The property comprises an office, warehouse and workshop development associated gravel hardstand located close to the commercial centre of Port Hedland. Improvements erected on the property comprise a main office and warehouse building with adjoining canopy to the rear.

This building is located in the north west corner of the building with the frontage to Anderson Street, located immediately adjacent to the office/warehouse is a more modern office and store room building which also faces Anderson Street and has a single carport to the eastern elevation. This building is approximately 8 years old and includes 5 separate offices/store room and a central office or equipment storage area. The subject property is located within the locality of Port Hedland approximately 1.0km east of the Port Hedland Commercial District.

891 Ingham Road, Bohle, QLD

The subject comprises a detached single level office towards the front with a second office / workshop facility towards the centre of the site and ancillary structures. The site is irregular in shape although allows drive around access and ample hardstand amenity with an approximate site cover ratio of 18.0%. The property is fenced with car parking for 75 cars reflecting a ratio of 1 space per 123m² of lettable area. The property is located at 891 Ingham Road Bohle, Queensland, approximately 12 kilometres by road west of the Townsville Business District and is within the Local Government Area administered by the Townsville City Council.

91 Connors Road, Paget, QLD

The property comprises two detached high clearance heavy industry warehouse buildings, each with an office component and amenities. The buildings on a combined basis provide an 18.4% office component while individually they are self contained with ability for dual occupant accommodation upon the site. The property facilitates full drive around access over the site and between both buildings plus has an unsealed hardstand area to the eastern side of the land resulting in relatively low site coverage of 26.6%. The complex provides marked car parking for 136 vehicles.

16 Broadmeadow Road, Broadmeadow, NSW

The subject property comprises an older style industrial facility which comprises several buildings, constructed at varying times from 1890. The property is primarily used for the maintenance of railway rolling stock and rail access to the property is provided via a single rail siding from the Main North rail corridor, crossing Broadmeadow Road and splitting into various single ended rail sidings within the main section of the site. The subject property is located at Broadmeadow, an established suburb within the Newcastle region, approximately four kilometres to the west of the Newcastle Central Business District and within the Local Government Area administered by Newcastle City Council.

3 Bridge Street, Pymble, NSW

The property comprises a circa 1983 commercial building which provides three levels of office accommodation and two levels of basement parking. The office areas were refurbished in the 1990s and feature balconies to each level. In addition to the 63 basement car spaces, there are 37 on grade car spaces to the rear site. The subject property is situated within Pymble, located approximately 20 kilometres north of the Sydney GPO and within the local government area administered by the Ku-Ring-Gai Council.

LEGAL DESCRIPTIONS

The subject properties are described as estates in fee simple with the following legal descriptions:

Address	Registered Proprietor	Lot	Plan	Volume/Folio or Title Ref No.
5 & 13 Wood Street, Bassendean, WA	UGL Rail Services Pty Ltd	16 201	DP 45583 Plan 27057	1363/345 2214/509
46-48 Anderson Street, Port Hedland, WA	UGL Rail Pty Ltd	1791 1792 460 461	DP 173442 DP 173442 DP 208641 DP 208641	306/47A 1777/416 1777/415 1869/510
891 Ingham Road, Bohle, QLD	UGL Rail Services Pty Ltd	3	RP801000	21446125
91 Connors Road, Paget, QLD	United Group Resources (Services) Ltd	498	CI809689	50935933
16 Broadmeadow Road, Broadmeadow, NSW	UGL Rail Services Pty Ltd	221 1 201	DP1012345 DP530737 DP715396	
3 Bridge Street, Pymble, NSW	UGL Rail Pty Ltd	1	DP626394	

SITE AREAS AND LETTABLE AREA

We have been provided with a schedule of lettable areas for the buildings by UGL, which Savills have adopted for the purposes of the valuations. Savills have also referenced the relevant Certificate of Title details to ascertain land area. These areas have been confirmed by on site measurements and inspection:-

Property	Building Area	Site Area
5 & 13 Wood Street, Bassendean, WA	10,968 m²	38,160 m²
46-18 Anderson Street, Port Hedland, WA	646 m²	2,943 m²
891 Ingham Road, Bohle, QLD	9,253 m²	51,360 m²
91 Connors Road, Paget, QLD	8,223 m²	30,920 m²
16 Broadmeadow Road, Broadmeadow, NSW	31,358 m²	162,826 m²
3 Bridge Street, Pymble, NSW	2,626 m²	2,964 m²

ZONING

Property	Zoning
5 & 13 Wood Street, Bassendean, WA	"General Industry" Town of Bassendean Local Planning Scheme No.10.
46-18 Anderson Street, Port Hedland, WA	"Industry" Town of Port Hedland Town Planning Scheme 5, gazetted on 31 August 2001.
891 Ingham Road, Bohle, QLD	"Core Industry" under the general provisions of the Townsville City Plan 2005.
91 Connors Road, Paget, QLD	"High Impact Industry" Mackay Planning Scheme.
16 Broadmeadow Road, Broadmeadow, NSW	"IN2 – Light Industrial" under the Newcastle Local Environmental Plan 2012.
3 Bridge Street, Pymble, NSW	"B7 Business Park" under the Ku-ring-gai Local Environmental Plan No. 219

The current use of the various properties conform to the prevailing zoning.

TENANCY OVERVIEW

We have been provided with executed leases and outgoings information as prepared by UGL. The properties are to be subject to 10 year leaseback arrangements negotiated as part of the portfolio sale across a number of assets in several states. All leases are subject to similar base terms and conditions.

We have been provided with a Property Summary prepared by DTZ on behalf of UGL which details the basic terms of the lease back and details of the properties. We have also been provided with a copy of the executed leases which will be common to all properties. The leases are unsigned and dated.

For valuation purposes we have assumed;

- The property is leased for 10 years with a 5 year option to UGL in accordance with the terms set out in the valuation reports.
- The proposed leases are executed by both parties based on the terms and conditions set out in the valuation reports.

Property	Initial Base Rent	Commencement	Initial Term	Option Term	Rent Reviews
5 & 13 Wood Street, Bassendean, WA	$968,901 p.a.	Date of Settlement	10 years	5 years	Annual Fixed at greater of 3% or CPI + 1%
46-48 Anderson Street, Port Hedland, WA	$290,000 p.a.	Date of Settlement	10 years	5 years	Annual Fixed at greater of 3% or CPI + 1%
891 Ingham Road, Bohle, QLD	$703,906 p.a.	Date of Settlement)	10 years	5 years	Annual Fixed at greater of 3% or CPI + 1%
91 Connors Road, Paget, QLD	$843,300 p.a.	Date of Settlement	10 years	5 years	Annual Fixed at greater of 3% or CPI + 1%
16 Broadmeadow Road, Broadmeadow, NSW	$1,928,527 p.a.	Date of Settlement	10 years	5 + 5 years	Annual Fixed at greater of 3% or CPI + 1%
3 Bridge Street, Pymble, NSW	$917,540 p.a.	Date of Settlement(	10 years	5 years	Annual Fixed at greater of 3% or CPI + 1%

VALUATION ANALYSIS

The valuation has been determined by reconciliation between the Discounted Cash Flow (DCF) approach, Capitalisation of Net Income approach and Direct Comparison approach. This is an accepted range of valuation approaches for investment assets such as the subject properties.

In addition to quantifying the value of the net income derived from the properties our calculations also account for a number of additional aspects regarding the properties. These are detailed in the full valuation reports however some common factors are summarised as follows:

Outgoings

Generally we have not been provided with budget outgoings for the subject properties. We have generally utilised actual statutory outgoings and have made allowances for variable outgoings for items such as insurance, air-conditioning, repairs and maintenance, fire protection, pest control and management fees in our valuation assessments based on comparisons with similar buildings and our knowledge of the market generally. Most of the leases are structured on a fully net basis with the lessees being responsible for all outgoings. We note that 3 Bridge Street, Pymble is not fully net and that the tenant is not responsible for capital/structural works.

Capital Expenditure

Generally an ongoing sinking fund allowance has been made on an annual basis for each property in our DCF calculations. In addition, in the case of 3 Bridge Street, Pymble, NSW. We have made an additional immediate capital expenditure allowance of $1,500,000 to replace age equipment as defined in the sales contract. This includes repair and/ or upgrading of plant and equipment including air-conditioning, elevators, electrical, mechanical and hydraulic services which are considered to exceed or be close to the end of their effective lives.

Details of our annual capital expenditure allowances in respect of each property are set out in our individual valuation calculations for each property.

Leasing Costs

Given that the properties are all subject to a 10 year lease back arrangement, there have been no allowances made for letting up or releasing of current vacancies.

Market Rent

In most cases we have adopted the lease terms which were considered after consultation which were considered after comparison with comparable rental evidence to be considered to be the best indicator of current market rental levels and have been adopted as market rental for valuation purposes. The exception is 3 Bridge Street, Pymble which has a passing rental equating to $301/m² of lettable area, whereas our opinion of market rental value is $295/m². Accordingly rental reversion allowances have been made in our valuation assessment. These are summarised in the tenancy overview section of our valuation calculations.

Investment Parameters

Nationally the last 12 to 18 months have seen an increase in demand for well leased investment properties with both local investors and national superannuation funds and listed property trusts all keen to obtain well leased investments secured to national tenants with long lease terms. Given the nature of the leaseback arrangements, the portfolio as a whole would generally be well regarded in the market and keenly sought after.

Individually whilst market conditions vary from property to property, generally each property would similarly be well regarded individually given the long lease term and strong national tenancy security. The table below sets out a summary of the investment parameters adopted in assessing the value of each property.

Summary Valuation

Incorporating the above allowances and adjustments into our proprietary valuation models have produced the following adopted values.

Property	Net Passing Income	Net Market Income	Adopted Capitalisation Rate	Adopted Discount Rate	Adopted Value	Site Rate ($/m²)	Building Rate ($m/²)	Passing Yield	IRR
5 & 13 Wood Street, Bassendean	$968,901	$968,901	8.50%	10.00%	$11,400,000	$299	$1,039	8.50%	10.07%
46-48 Anderson Street, Port Headland	$290,000	$290,000	10.25%	11.50%	$2,830,000	$962	$4,205	10.25%	11.36%
891 Ingham Road, Bohle	$703,906	$703,906	9.25%	10.50%	$7,600,000	$148	$821	9.26%	10.43%
91 Connors Road, Paget	$843,300	$843,300	9.00%	10.75%	$9,350,000	$302	$1,137	9.02%	9.95%
16 Broadmeadow Road, Broadmeadow	$1,928,527	$1,928,527	9.75%	11.50%	$19,400,000	$619	$0	9.94%	11.36%
3 Bridge Street, Pymble NSW	$917,540	$902,540	8.75%	9.75%	$8,800,000	$2,969	$3,351	10.43%	9.81%

Contract For Sale

We note that the subject properties are subject to a conditional sales contract and all have been sold as part of a national portfolio transaction between United Group Ltd and GDI No. 38 Pty Limited ATF GDI No. 38 Diversified Property Trust. We have been advised of the total purchase price of the portfolio $68,000,000 net of GST. We understand that this reflects a net purchase price of $66,500,000 after a $1,500,000 capital expenditure allowance allocated for the 3 Bridge Street, Pymble NSW.

DCF Qualifications

We draw your attention to the fact that the DCF analysis is based on projections considered in the light of available data. However, market conditions will change over time influenced by internal and external factors against which a review of assumptions may be warranted. For this reason, we stress that reliance upon such projections must be made with full acceptance of their limited reliability and with due consideration of the commercial risks related to such forecasts. In particular, we stress the DCF exercise referred to herein has been undertaken for the sole purpose of assisting in the determination of the current market value of the property and we make no guarantees or warranty as to the accuracy of future rental income stream projections insofar as they relate to market rental movements.

Liability Disclaimer

Savills Valuation Pty Ltd has prepared this letter and the formal valuation based upon information made available to us at the date of valuation. We believe that this information is accurate and complete, however we have not independently verified all such information. Savills is not providing advice about a financial product, nor the suitability of the investment set out in the prospectus. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Savills does not, nor does the Valuer, hold an Australian Services Licence and is not operating under such a licence in providing its opinion as to the value of the property detailed in this report.

Savills has prepared this summary for inclusion in the Offer Document and has only been involved in the preparation of this summary and the valuation referred to therein. Savills has consented to the inclusion of this summary in the Offer Document in the form and context in which it is so included but has not authorised the issue of the Offer Document. Savills specifically disclaim liability to any person in the event of any omission from, or false or misleading statements included in, this Offer Document, other than in respect of the Valuation and this summary.

This letter has been countersigned to verify the letter is issued by this Company. Any reliance upon this letter should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before mentioned manner.

This Valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value are excluded as is liability where the valuation is relied upon after the date of the valuation.

Savills Valuations Pty Ltd liability is limited by a scheme approved under Professional Standards Legislation

Valuers' Interest

We confirm that Savills Valuations Pty Limited and the appointed Valuer, Mr Mark Foster-Key, do not have any pecuniary interest that would conflict with the proper valuation of the property and the valuation being made independently of GDI No. 38 Pty Limited ATF GDI No. 38 Diversified Property Trust and/or its officers.

Neither the Valuer nor Savills Valuations Pty Ltd are licensed to provide financial services and the information detailed herein (and the full valuation report) is not intended to provide advice on your investment decision.

savills

Valuation Summary

We assess the market value of the freehold interest of the above mentioned properties as at February 2014 and subject to the details and qualifications contained within our full report, to be as follows:

5 & 13 Wood Street, Bassendean, WA	$11,400,000
	(Eleven Million Four Hundred Thousand Dollars)
46-48 Anderson Street, Port Hedland, WA	$2,830,000
	(Two Million Eight Hundred and Thirty Thousand Dollars)
891 Ingham Road, Bohle, QLD	$7,600,000
	(Seven Million Six Hundred Thousand Dollars)
91 Connors Road, Paget, QLD	$9,350,000
	(Nine Million Three Hundred and Fifty Thousand Dollars)
16 Broadmeadow Road, Broadmeadow, NSW	$19,400,000
	(Nineteen Million Four Hundred Thousand Dollars)
3 Bridge Street, Pymble, NSW	$8,800,000
	(Eight Million Eight Hundred Thousand Dollars)

Prepared by **Savills Valuations Pty Ltd.**

Mark Foster-Key FRICS AAPI
Divisional Director
Certified Practising Valuer
Licensed Valuer 44047
For the State of Western Australia

(The above signatory verifies that this summary letter is genuine, and issued by, and endorsed by Savills Valuations Pty Limited. The opinion of values expressed in this summary letter and corresponding full valuations has been arrived at by the various valuers noted in the reports).

4 June 2014

GDI No. 38 Pty Limited
ATF GDI No.38 Diversified Property Trust
C/- Mr Paul Malek,
Company Secretary
GDI Property Group
56 Pitt Street
SYDNEY NSW 2000

Dear Sirs,

RE: VALUATION- 373 HORSLEY ROAD, MILPERRA NSW

Instructions

We refer to your instructions requesting Knight Frank Valuations to prepare a market valuation of the freehold interest of the abovementioned property subject to the proposed sale and leaseback with UGL Limited for inclusion in a product disclosure statement as at 19 March 2014.

In accordance with the Corporations Law, Market Value means the estimated amount for which an asset should exchange on the date of valuation, taking into account the value of all estates in that property, and based on the price at which the property might reasonably be expected to be sold at the date of the valuation, assuming:

(i) a willing, but not anxious, buyer and seller.
(ii) a reasonable period within which to negotiate the sale having regard to the nature and situation of the property and the state of the market for property of the same kind.
(iii) that the property was reasonably exposed to the market.
(iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued.
(v) that the entity has sufficient resources to allow a reasonable period for the exposure of the property for sale.
(vi) that the entity has sufficient resources to negotiate an agreement for sale of the property.

In formulating our valuation, we have relied upon property information provided by the instructing party, including, but not limited to the following:

- Contract of Sale including draft lease with UGL Limited.
- Property overviews prepared by DTZ.
- Technical Due Diligence report prepared by WSP dated November 2013.
- Site survey prepared by Brunskill McClenahan & Associates dated May 2008.
- Section 149 Certificate prepared by Bankstown City Council dated October 2013.
- Environmental Site Assessment report prepared by S&G Consulting dated June 2008.
- Long Term Environmental Management Plan and Assessment of Environmental Condition reports prepared by CDM Smith dated November 2012.
- Draft Environmental Review prepared by SGA Environmental dated February 2014.
- Asbestos Survey Review prepared by AECOM dated February 2011.

Level 18 Angel Place, 123 Pitt Street, Sydney NSW 2000 T+61 (0) 2 9036 6666 F+61 (0) 2 9036 6770
GPO Box 187, Sydney NSW 2001
www.knightfrank.com.au

Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information including by analysis against industry standards. Based upon that review, we have no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, our enquiries are necessarily limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or "due diligence" investigation might disclose.

We also note that the valuations are current as at the date of valuation only we can give no guarantee that the property or valuation has not altered since the date of valuation.

For further information, reference should also be made to our Valuation Report dated 19 March 2014 which can be inspected at the office of GDI Property Group during normal business hours. This correspondence is subject to and should be read in conjunction with all qualifications, assumptions, conditions and disclaimers contained within that report.

Valuation Summary
We have assessed the market value of the property subject to the proposed lease with UGL Limited, as at 19 March 2014, at $8,000,000 (GST Exclusive). Under the terms of the proposed lease, the rent is scheduled to be reviewed annually to the greater of CPI+1% and 3%.

Brief Description of the Property
Erected upon the land, between the 1960's and 1990's, is an older style industrial facility comprising an office / warehouse building at the Horsley Road frontage, a freestanding two storey office building, a medium clearance workshop and amenities block extending to a combined gross lettable area (GLA) of 9,314m² upon a land parcel of some 31,290m². In addition to the permanent improvements, multiple demountable buildings are also provided on site as well as gravel hardstand areas and grassed open space land. The site cover is approximately 18% and a total of 108 car parking spaces are provided on site.

The property is located on the western side of Horsley Road at its junction with Sheridan Close at Milperra and is legally defined as Lot 2 in Deposited Plan 214471. The current zoning of the land is 4(a) General Industrial pursuant to Bankstown Local Environment Plan 2001. Furthermore, the property is currently owned by UGL Rail Pty Limited.

Tenancy Overview
The property is being sold subject to a 10 year sale and leaseback with UGL Limited, on triple net terms upon settlement of the sale.

Income Profile
We have assessed the net passing income for the property as at the date of valuation to be $698,550 per annum plus GST.

The passing income is based on our review and analysis of the tenancy information provided. We note that should any of the information provided be found erroneous or has varied, we reserve the right to review and if necessary, amend our valuation.

Market Commentary
The industrial property market continues to gain momentum as a low interest rate environment support demand for industrial property. The demand for prime properties with long term lease expiry profiles remains greatest and, as the opportunity to purchase such stock diminishes, market demand has started to secondary and tertiary grade assets secured with long term lease profiles and prime and secondary investments with short to medium term occupancy profiles.

In line with the broader real estate investment market, the duration of the proposed lease term is considered to be a positive attribute for the property. We consider the value performance of the property to be closely aligned to the lease duration and, in the event that the property were to become vacant, an extended re-leasing period would be required.

Valuation Analysis & Assumptions
The following schedule summarises relevant comparable sales which have been considered in the preparation of our valuation.

Property	Price	Date	$/m² GLA	Yield	IRR Rate (%)
184 Milperra Road, Revesby	$13.98 M	Dec-2013	$580	10.41%	11.06%
6 The Crescent, Kingsgrove	$12.50 M	Aug-2013	$919	10.19%	10.82%
105-111 Vanessa Street, Kingsgrove	$48.50 M	Sep-2012	$1,460	8.75%	9.87%
35-41 Mandible Street, Alexandria	$18.00 M	Jun-2012	$1,200	7.9%	9.3%
34 Airds Road, Minto	$15.50 M	Nov-2011	$643	10.04%	11.10%
1-9 Jessica Place, Prestons	$15.50 M	Dec-2010	$1,183	9.48%	10.56%
104 Vanessa Street, Kingsgrove	$12.30 M	Oct-2010	$1,727	8.82%	10.25%

The valuation for 373 Horsley Road, Milperra has been determined via reconciliation between the capitalisation, term and reversion and direct comparison methodology.

In our capitalisation approach, we derived a fully leased estimated gross market rental income based on face rentals for the industrial accommodation of the property. Outgoings/operating expenses for the first year have been deducted, resulting in a net market income. The net market rental was capitalised to arrive at the estimated market value before adjustment and allowances.

We have adopted a capitalisation rate range of 8.5% to 9.00% in the capitalisation approach, which has been applied to the assessed net market income of $698,550 per annum. There are no further adjustments to the capitalisation approach.

The assessed value of $8,000,000 (GST exclusive) reflects the following investment parameters:

Initial Yield %	Core Market Yield %	Rate/m² GLA	Rate/m² Site Area
8.73%	8.73%	$859	$256

Contract for Sale
We are verbally advised that the total portfolio purchase price equates to $66,500,000 (Free of GST) after capital expenditure adjustments with an apportioned price of $8,000,000 (Free of GST) for the subject property. Notwithstanding this, we note that the purchase price stated on the contract of sale is $7,750,000 (Free of GST) which we are advised is the apportionment to the asset based upon the portfolio acquisition.

Qualifications & Disclaimers
Knight Frank Valuations have prepared this summary which appears in this PDS for GDI No.38 Pty Limited ATF GDI No.38 Diversified Property Trust. Knight Frank Valuations were involved only in the preparation of this summary and the valuation referred to therein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in, the PDS or other document, other than in respect of our valuations and this letter.

Knight Frank Valuations has consented to this summary being included in this PDS, but Knight Frank Valuations is not providing advice about a financial product, nor the suitability of the investment set out in this PDS. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. Knight Frank Valuations does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our valuation reports.

In the case of advice provided within this report which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market perceptions. It follows that any one of the assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted in this event.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three (3) months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Knight Frank Valuations has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and for the purpose of this valuation we have assumed that the information is correct.

This valuation does not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, we have assumed that detailed reports with respect to the structure and service installation of the improvements both would not reveal any defects or inadequacies requiring material capital expenditure.

Knight Frank Valuations has received fees of $7,150 (inclusive of GST) in connection with the preparation of our valuation and this summary. The fee is not in any way linked to nor has it influenced the opinion of value noted and Knight Frank Valuations does not have any pecuniary interest in GDI No.38 Pty Limited ATF GDI No.38 Diversified Property Trust and we have provided this report solely in its capacity as independent professional advisor.

Yours faithfully
KNIGHT FRANK VALUATIONS

MARK HARRISON B. Prop Ec AAPI
Registered Valuer No. VAL013597
Divisional Director

DAVID M CASTLES
National Director
(Counter-signatory only)

Reference: S7654_Milperra Prospectus Letter

15. Investing

Who can invest?

Wholesale clients only

Although this Information Memorandum is a document, the Trust is not a registered managed investment scheme. As a result only wholesale clients (as the Corporations Act defines this) can invest.

It follows that an investor in the Trust generally needs to fall within one of the categories below.

If you don't fall into one of these categories, we may still have some ability to accept you, so please contact us.

The main categories

1. The investor has an accountant's certificate that shows that they have net assets of at least \$2.5m or gross income for each of the last two financial years of at least \$250,000. The certificate must not be more than 2 years old	In calculating the \$2.5m or \$250,000 the investor can include the net assets or gross income (as relevant) of any company or trust it controls. See below for the meaning of "control". See Accountant Certificate on page 69.
2. The investor is a company or trust controlled by someone who has an accountant's certificate as mentioned in number 1	See below for the meaning of "control". See Accountant Certificate on page 69.
3. The investor is a person considered by their adviser to have the requisite investing experience	See the Adviser Certificate on page 71.
4. The Investor is a person considered by the Trustee to have the requisite investing experience	See the Adviser Certificate on page 71.
5. Invest at least \$500,000 at one time (excluding superannuation monies)	
6. Invest at least \$500,000 together with an "associate" at one time (excluding superannuation monies[1])	Reasons the investor and someone else can be associated include: • the other person is a trustee of a trust in relation to which the investor benefits or is capable of benefiting • the other person is a person with whom the investor is acting in concert, or proposes to act concert, in respect of the investment • the other person is a person with whom the investor is, or is proposing to become, associated, whether formally or informally, in any other way in respect of the investment
7. The investor and a body corporate which the investor controls together invest at least \$500,000 in aggregate	See below for the meaning of "control".
8. The investor is a business which is not a small business	A small business is one that employs less than 100 employees if the business is or includes the manufacture of goods, or otherwise is a business which employs less than 20 people.

9. The investor is a financial services licensee	
10. Investor is the trustee of a superannuation fund with net assets of at least $10m	
11. The investor controls at least $10m	Including any amount held by an associate or under a trust that the investor manages.

[1] superannuation monies are moneys paid to a person as a superannuation lump sum by the trustee of a regulated superannuation fund, or which have been paid as an eligible termination payment or as a superannuation lump sum at any time during the previous 6 months.

What is "control"?

"Control" means you have the capacity to determine the outcome of decisions about the company or Trust's financial and operating policies.

The practical influence you can exert (rather than the rights you can enforce) is the issue to be considered and any practice or pattern of behaviour affecting the company or Trust's financial or operating policies is to be taken into account (even if it involves a breach of an agreement or a breach of trust).

However you do not control a company or trust merely because you and a third entity jointly have the capacity to determine the outcome of decisions about the company or Trust's financial and operating policies.

If you have the capacity to influence decisions about the company or Trust's financial and operating policies and are under a legal obligation to exercise that capacity for the benefit of someone other than the your members, you are taken not to control the company or trust

What is the cut-off date for investing?

The earlier of 20 June 2014 or when we raise a minimum of $43.8 million in equity.

We may close this offer earlier than this, so it is important that you invest sooner rather than later or you may miss out, and also note that we may also extend this offer.

How do I invest?

Simply complete the attached application form and send it to us with your cheque. If you are a new GDI investor, you will need to download the appropriate identification form from our website, we will send the correct one to you in any case, for completion and return to us prior to the close of the offer.

How do I pay?

Write an Australian cheque payable to: "GDI No. 38 Diversified Property Trust" crossed "not negotiable".

We will confirm with you when we issue Units. We can refuse your application in whole or part and need not give reasons. There are no cooling off rights.

Where do I send the completed forms?

Completed Application forms (and any accompanying cheques) can be forwarded to your financial adviser or GDI Property Group's address detailed on the next page.

What is the minimum Application Amount?

The minimum investment is generally $50,000, and any additional investment must generally be in multiples of $10,000.

This amount includes any payments you direct us to make to your professional advisor.

How to complete the Application

Form

To invest in the Trust:

- you must be a wholesale client – use the accountant's certificate or adviser's certificate if relevant.
- you must complete and sign the Application form.
- if you are a new GDI investor you must complete the correct Identification form and send us the documents it requires. The form for trustees, companies and individual investors is available from our website or we will send them to you in any case. Other forms are available on request.
- attach to the Application form your bank or personal cheque payable to GDI No. 38 Diversified Property Trust. The cheque must be made payable in Australian dollars and drawn on an Australian financial institution. It should be crossed "Not negotiable".
- send your cheque, Application form and, if applicable, your Identification forms and attachments and (if applicable) your accountant's certificate or adviser's certificate to:

The Trustee

GDI No. 38 Diversified Property Trust
C/O GDI Property Group
PO Box R1845
Royal Exchange NSW 1225

You should act quickly. Although we anticipate that this initial fundraising will close on the earlier of 20th June 2014 or when we raise a minimum of $43.8 million in equity, we may close this offer earlier than this, so it is important that you invest sooner rather than later or you may miss out, and also note that we may also extend this offer.

Application money will be held in an account with a recognised Australian financial institution until Units are issued.

Joint applicants

If you invest with any other person, each of you must sign the Application form. You will be assumed to be "joint tenants" unless you specify otherwise. Only the address of the first named investor will be recorded for the purposes of correspondence with Investors.

Tax File Numbers

Collection of an investor's TFN is authorised and their use and disclosure strictly regulated by the tax laws and the Privacy Act 1988.

Investors may quote a TFN or claim a TFN exemption in relation to their investment in the Trust when completing their application form.

If an investor chooses not to quote a TFN or TFN exemption, we may be required to deduct tax at the prescribed rate from that investor's income distributions. At the date of the Information Memorandum this was the highest marginal rate plus Medicare levy.

How to direct us to pay your advisor from your Application

You may direct us to pay your advisor a professional fee for service of either a nominated dollar amount or up to 3% (inclusive of GST) of your Application Amount for units issued under the offer. This will be deducted from your Application Amount and then paid to your advisor on completion of the offer. The net amount of your Application Amount, after deducting the professional fee for service, will be inserted into the Trust.

Accountant Certificate

Accountants can use this form to certify an applicant is a wholesale client and so able to invest.

Accountant's details

Title *Mr/Mrs/Ms/Miss*		**First name**			
Surname					
Street number		Street name			
Suburb					
State		Postcode		Country	
Work hours phone		After hours phone			
Mobile		Fax			
Email					
Firm name					

Investor name

write here the name of the investor in the trust, for example "XYZ Pty Limited as trustee for the XYZ Super Fund".

Investor name	

Explanations

In this certificate:

- **required net assets** means net assets of at least $2,500,000
- **required gross income** means for each of the last two financial years at least $250,000 a year and
- **control** means the person has the capacity to determine the outcome of decisions about the corporate trustee's financial and operating policies.

  The practical influence the person can exert (rather than the rights they can enforce) is the issue to be considered and any practice or pattern of behaviour affecting the financial or operating policies is to be taken into account (even if it involves a breach of an agreement or a breach of trust). However a person does not control a company or trust merely because they and a third entity jointly have the capacity to determine the outcome of decisions about the company or trust's financial and operating policies. If the person has the capacity to influence decisions about the company or trust's financial and operating policies and are under a legal obligation to exercise that capacity for the benefit of someone other than its members, they are taken not to control the company or trust.

Accountant certification

I am an accountant qualified as the Corporations Act requires to give this certificate.

I **certify** that:

- the investor themselves has the **required net assets** or the **required gross income OR**
- together with any trusts or companies the applicant **controls**, the applicant has the required net assets or the required gross income **OR**
- the applicant is a trust or company **controlled** by a person who has the required net assets or the required gross income.

Accountant signature(s) ______________________ Date ____________

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Adviser Certificate

Advisers can use this form to certify an applicant is a wholesale client and so able to invest.

Adviser's details

Title *Mr/Mrs/Ms/Miss*		**First name**			
Surname					
Street number		Street name			
Suburb					
State		Postcode		Country	
Work hours phone		After hours phone			
Mobile		Fax			
Email					
Dealer name					
Dealer AFSL number					

Investor name

write here the name of the investor in the trust, for example "XYZ Pty Limited as trustee for the XYZ Super Fund".

Investor name	

By signing above the investor acknowledges that before investing they:

- have not been given a product disclosure statement nor any other document that would be required to be given to the client under the relevant chapter of the Corporations Act if interests in the relevant trust were provided to the client as a retail client and
- we have no other obligation to the them under the relevant chapter of the Corporations Act that we or they would have if the relevant trust was provided to the client as a retail client.

Adviser certification

As the holder of an AFSL or on behalf of the licensee identified above, I certify that I am satisfied on reasonable grounds that the applicant has previous experience in using financial services and investing in financial products that allows the applicant to assess:

- the merits of the Trust
- the value of the interests in the Trust
- the risks associated with holding interests in the Trust
- the applicant's own information needs and
- the adequacy of the information given by us and (if different) the product issuer,

I confirm that the applicant has been given a written statement of my reasons for being so satisfied.

Adviser's signature(s)		Date	

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Application form

Application for units in the GDI No.38 Diversified Property Trust

You can only use this form if it is attached to the Information Memorandum dated 4 June 2014

PLEASE USE BLOCK LETTERS WHEN COMPLETING THIS FORM

If this is a joint application, please provide details for each applicant. Units will be held as joint tenants in equal shares, unless stated differently.

Investing entity details

Individual/s investing (complete this section if you are investing as an individual or joint individuals)

Title *Mr/Mrs/Ms/Miss* Given name

Surname

ABN

Tax File Number

Title *Mr/Mrs/Ms/Miss* Given name

Surname

ABN

Tax File Number

Trustees and super funds (complete this section if the investing entity is a trust or superfund)

Name of trustee *name all trustees or the trustee company name as relevant*

Name of trust or super fund *include the trust's ARSN if it is a registered managed investment scheme*

ABN *of the trust/superfund*

Tax File Number *of the trust/superfund*

Companies (complete this section if the investing entity is a company)

Name

ABN *of the company*

Tax File Number *of the company*

Application form

Your contact details

Address

Individuals: write your residential address
Trustees should provide the registered office of the trustee
Companies: write your registered office
Don't write a PO Box here. Use the next part of the form if you prefer a different mailing address.

Street number Street name

Suburb

State Postcode Country

Work hours phone After hours phone

Mobile Fax

Email

Contact person First name Last name

Correspondence

Tell us if you prefer a different mailing address.

Street number Street name

Suburb

State Postcode Country

Contact person First name Last name

☐ From time to time GDI may wish to write to you regarding GDI investment opportunities. If you do **not** wish to receive this information please tick this box.

Your financial planner

If you are applying for Units in the Trust through a financial planner, please tell us about them:

Contact name First name Last name

Dealer name

Street number Street name

Suburb

State Postcode Country

Work hours phone

Mobile Fax

Email

Note: Please ensure that full contact details are provided.

Your bank account (bank account for your investing entity)

Distributions will be paid by direct transfer to the following account

Name of account

Name of bank

Name of branch

Account number BSB number

How much is your Application Amount?

The minimum Application Amount is $50,000, and then in multiples of $10,000

This application is for $

Please make your cheque payable to "**GDI No. 38 Diversified Property Trust**".

Please complete the next section if you direct us to pay some of your Application Amount to your advisor.

Financial advisor professional fee for service

If this section is not completed, no professional fee for service will be paid to an advisor on your behalf.

I/We have agreed to pay my/our advisor a professional fee for service in relation to my/our investment and hereby direct the Trustee to pay to my/our advisor on my/our behalf an amount of:

☐ 1%; ☐ 1.5%; ☐ 2%; ☐ 2.5%; or ☐ 3%

to be deducted from my/our Application Amount.

OR Please insert a dollar amount that you wish to pay to your advisor as a professional fee for service.

☐ $

The amounts are inclusive of GST.

Signatures

By signing this form, the applicant is telling us that:

- they have read and understood the Information Memorandum for the Fund
- they agree to be bound by the trust deed for the Trust as amended from time to time and by all matters set out in this Information Memorandum as supplemented from time to time and
- they are wholesale client as the Corporations Act defines this.

Individuals

including individual trustees

Signature of individual Date

Signature of individual Date

Companies

including corporate trustees of trusts and superfunds

Name of director

Signature Date

Name of other director or secretary

Signature Date

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Glossary

ABN	Australian business number
Accountant certificate	The certificate by which your accountant can certify that you are a wholesale client – see page 69
ACN	Australian company number
Adviser certificate	The certificate by which your financial adviser can certify that you are a wholesale client – see page 71
AIFRS	Australian equivalents to International Financial Reporting Standards
Application Amount	The amount, including any nominated dollar or percentage that you direct us to pay your advisor as a fee for service, which you apply for pursuant to this Information Memorandum. The number of Units you apply for is the Application Amount less any fee for service you direct us to pay your advisor
ARSN	Australian registered scheme number
ASX	ASX Limited ABN 98 008 624 691 or the market operated by it, as the context requires
Baseline Reports	All environmental management plans, statutory certifications, expert reports and/or site assessments regarding the environmental condition of each Portfolio property prepared by or on behalf of UGL Limited
Capex	Capital expenditure
CBD	Central business district
Close date	The date by which applications must be received – see page 7
Constitution	The Trust's constitution as amended from time to time
CPI	Consumer Price Index
Distribution	A payment of income or capital or both from the property of the Trust
EBITDA	Earnings before interest, tax, depreciation and amortisation
Forecast	The financial forecasts which have been made – see Section 4
Forecast Period	The periods for which forecasts have been made – see Section 4
FOS	The Financial Ombudsman Service
GDI	GDI Property Group, being the stapled entities GDI Property Group Limited and GDI Property Trust
GDIFM	GDI Funds Management Limited ACN 107 354 003 AFSL 253 142
Gearing	Another word for borrowing

Gross assets	The assets of the Trust including money borrowed
GST	Goods and services tax or similar
ha	Hectares
Identification form	A form which investors who are new to GDI will be sent to complete, relating to AML requirements
Independent Valuation	The valuations received from Savills Valuations Pty Ltd ABN: 73 151 048 056 and Valuations Services (NSW) Pty Ltd ABN: 83 079 862 990 trading under licence as Knight Frank Valuations dated 3 June 2014 and 4 June 2014 respectively
Initial Investor	GDI Investor Pty Limited ACN 141 853 410, or such other person as it nominates
IRR	Internal rate of return, being (for the purposes of the performance fee), the average annualised rate of return of the Trust over the life of the Trust, before tax but post fees (other than any accrued liability for performance fees) and expenses
Loan to Value ratio	The amount lent in relation to the value of the net assets of the Trust, expressed as a percentage
NABERS	The National Australian Building Environment Rating System
Net assets	The assets of the Trust not counting borrowing
Net lease	A lease where the lessee has to pay all expenses of the property leased, in addition to a rental payment
Portfolio	The portfolio of six industrial properties and one office property being acquired from and leased to UGL Limited
RITC	Reduced Input Tax Credit
Tax deferred	These element of distributions are not taxable as income to investors – see Section 9
TFN	Tax file number
Triple Net Lease	A lease where the lessee has to pay all expenses of the property leased including maintenance, in addition to a rental payment
Trust	GDI No. 38 Diversified Property Trust
Trustee	GDI No. 38 Pty Limited ACN 167 648 151
Unit	A fully paid unit in the Trust
Us / We	The Trustee

Notes

Notes

Directory

Trustee

GDI No. 38 Pty Limited
ACN 167 648 151
Level 23
56 Pitt Street
Sydney NSW 2000
Ph: 02 9223 4222

Issuer

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ACN 107 354 003
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