

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS. IF NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR OWN INDEPENDENT PROFESSIONAL ADVISERS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (UNITED KINGDOM) IMMEDIATELY

COMMONWEALTH MANAGED INVESTMENTS LIMITED

(ABN 33 084 098 180)

in its capacity as Responsible Entity of CFS Retail Property Trust 1

(ARSN 090 150 280)

Ground Floor, Tower 1, 201 Sussex Street
Sydney NSW 2000
Australia

(Incorporated under the laws of the Commonwealth of Australia)
(the **Issuer**)

NOTICE OF ADJOURNED MEETING

of the holders of those of the
A\$300,000,000 5.75 per cent. Convertible Notes Due 2016
ISIN XS0641119812
of the Issuer presently outstanding
(the **Noteholders** and the **Notes** respectively)

NOTICE IS HEREBY GIVEN that the meeting of the Noteholders convened by the Issuer for 28 May 2014 (the **Initial Meeting**) by the Notice dated 28 April 2014 published on the website of the Singapore Exchange Securities Trading Limited and circulated to the Noteholders via Euroclear and/or Clearstream, Luxembourg was adjourned through lack of a quorum and that the adjourned meeting of the Noteholders will be held at the offices of Ashurst at Broadwalk House, 5 Appold Street, London EC2A 2HA on 12 June 2014 at 9:30 a.m. London time (the **Adjourned Meeting**).

Such Adjourned Meeting will be held for the purpose of considering and, if thought fit, passing the resolution set out below which will be proposed as an Extraordinary Resolution in accordance with the provisions of the trust deed (as amended from time to time) dated 4 July 2011 between The Bank of New York Mellon (the **Trustee**) and the Issuer (the **Trust Deed**) (containing the terms and conditions of the Notes (the **Conditions**)) constituting the Notes.

No Adjourned Meeting will be held any earlier than the time specified for such meeting above.

NOTEHOLDERS WHO SUBMITTED BLOCK VOTING INSTRUCTIONS AND APPOINTED A PROXY OR WHO OBTAINED A VOTING CERTIFICATE IN RELATION TO THE INITIAL MEETING ARE INFORMED THAT SUCH BLOCK VOTING INSTRUCTIONS AND APPOINTMENT AND/OR VOTING CERTIFICATES WILL REMAIN VALID FOR THE ADJOURNED MEETING, UNLESS SUCH INSTRUCTIONS AND APPOINTMENTS OR CERTIFICATES ARE DULY SURRENDERED, REVOKED OR AMENDED IN ACCORDANCE WITH THE DEADLINES SET OUT IN THE TRUST DEED PRIOR TO THE ADJOURNED MEETING.

All capitalised terms used but not defined herein shall have the meanings given to such terms in the Trust Deed.

BACKGROUND INFORMATION

Commonwealth Managed Investments Limited (ABN 33 084 098 180) (**CMIL**), as Responsible Entity of CFS Retail Property Trust 1 (ARSN 090 150 280) (**CFX1**), is convening the Meeting to seek an Extraordinary Resolution of the Noteholders to approve the proposed amendments to the Conditions and the Trust Deed, as described in the draft Amendment Deed (the **Amendment Deed**) annexed to this notice at **Annex A** (the **Proposed Amendments**). The Amendment Deed also includes certain consequential changes to the Paying, Transfer and Conversion Agency Agreement dated 4 July 2011 between the Issuer, the Trustee, The Bank of New York Mellon (the **Principal Agent**) and The Bank of New York Mellon (Luxembourg) S.A. (the **Registrar**) (the **Paying, Transfer and Conversion Agency Agreement**).

The Proposed Amendments are summarised below in section (a) of this Notice to Noteholders. The Proposed Amendments are intended to preserve the full functionality of the Conversion Rights under the Notes following implementation of a corporate transaction known as "Internalisation" which is described below in section (b) of this Notice to Noteholders. The reasons explaining the rationale for the Proposed Amendments are set out below in section (c) of this Notice to Noteholders. A presentation prepared by CMIL for Noteholders providing additional information on each of these topics is annexed as **Annex B**.

(a) Summary of Proposed Amendments

In summary, the Proposed Amendments are to:

- amend the definition of "CFX Unit" in Condition 6(A)(v) of the Conditions to refer to the securities of both CFX1 and CFX Co (and their respective constitutions);
- insert a new clause within Condition 6(C)(3) of the Conditions providing that, notwithstanding the provisions of any Condition, the Capital Distribution, the de-stapling of units in CFX1 and units in CFX2 (as contemplated in the De-stapling Proposal) and the stapling of units in CFX1 with shares in CFX Co (as contemplated in the Internalisation) will not constitute an Additional Distribution, Spin-Off or be otherwise taken into account for the purposes of any adjustment to the Conversion Price under any Condition;
- clarify that references to conversion of the Notes into CFX1 units in the Trust Deed (including the Conditions) and the Paying, Transfer and Conversion Agency Agreement are to the New CFX Stapled Securities (and include corresponding definitions relating to CFX Co);
- clarify that references to the CFS Retail Property Trust are to the CFS Retail Property Trust 1 in the Trust Deed (including the Conditions) and the Paying, Transfer and Conversion Agency Agreement;
- clarify in the Conditions that any act, matter or thing to be done or which may be done by the issuer of the CFX1 units shall be construed as any act, matter or thing to be done or which may be done by CMIL and/or CFX Co, as the context may require; and
- amend the Conversion Notice in the Paying, Transfer and Conversion Agency Agreement to include a confirmation that a Noteholder agrees to become a member of CFX Co, as is required under section 231(b) of the Corporations Act for a person to become a member of an Australian company.

(b) Summary of Internalisation

On 24 July 2013, the Board of CMIL, as the Responsible Entity of CFS Retail Property Trust Group (**CFX**) (comprised of CFX1 and CFS Retail Property Trust 2 (ARSN 156 647 853) (**CFX2**)), announced that it had received an indicative proposal from Commonwealth Bank of Australia (**CBA**) to internalise the management of CFX. This also proposed CFX acquiring CBA's property

asset management business and CFX commencing to manage a number of wholesale property funds and property mandates (**Internalisation**).

Following the approach from CBA, the Board of CMIL, as the Responsible Entity of CFX, established an Independent Board Committee with strict corporate governance protocols to consider the Internalisation and any alternative proposals. To avoid conflicts of interest, the Independent Board Committee comprised only of directors who are not employed by, and are independent of, CBA.

After careful consideration of the Internalisation, which included undertaking detailed due diligence with the assistance of external financial, legal, accounting and taxation advisers, the Independent Board Committee determined that the Internalisation presented an important opportunity for CFX Securityholders (comprised of the unitholders in CFX1 and the unitholders in CFX2) (the **CFX Securityholders**).

On 18 December 2013, the Independent Board Committee announced it had reached agreement with CBA to progress the Internalisation. The agreement reached was the result of a detailed, lengthy and robust negotiation with CBA.

The Independent Expert, Grant Samuel, concluded that the Internalisation is fair and reasonable to, and in the best interests of, non-associated securityholders.

At the Extraordinary General Meeting on 7 March 2014, over 98% of CFX securityholders voted in favour of the Internalisation, including strategic holder, The Gandel Group which has voting power in CFX of approximately 26.8%. CFX Securityholders also voted, with a similar voting majority, in favour of a proposal to de-staple CFX2 units from CFX1 units (the **De-stapling Proposal**).

Following the implementation of the Internalisation, CFX is one of the largest fully integrated and independently managed retail property groups in Australia, with \$13.9 billion¹ in assets under management, approximately 850 property professionals, and proven capabilities in investment management, asset management and corporate services.

Implementation of the Internalisation and De-stapling Proposal occurred on 24 March 2014. To implement the Internalisation, CFX1 made a capital distribution to the CFX1 unitholders (the **Capital Distribution**), which was not paid in cash to the CFX1 unitholders but was compulsorily applied by CMIL on the CFX1 unitholders' behalf to acquire shares in CFX Co Limited (ACN 167 087 363) (**CFX Co**). CFX Co owns CMIL, the property funds management and asset management entities previously owned by CBA and CFX2 (following its de-stapling from CFX1). Following the implementation of the Internalisation, each unit in CFX1 is now stapled with a share in CFX Co (a **New CFX Stapled Security**) (ie, the New CFX Stapled Security is comprised of a share in CFX Co stapled to a unit in CFX1).

(c) Reasons for the Proposed Amendments

The Conditions do not currently contemplate the stapling of the units in CFX1 with shares in CFX Co. This has certain consequences for the operation of the conversion rights of the Noteholders set out in Condition 6 of the Conditions (the **Conversion Rights**). The Proposed Amendments are intended to preserve the full functionality of the Conversion Rights enjoyed by Noteholders prior to Internalisation.

Conversion Rights

Condition 6(A)(i) provides that the Noteholders have the right to convert their Notes into "CFX Units". The meaning of "CFX Units" is set out in Condition 6(A)(v) and currently refers to undivided interests in CFX1. Following the implementation of the Internalisation and the stapling

¹ Based on 30 June 2013 figures, and adjusted for post balance date items including asset sales, estimated asset revaluations and capital expenditure. Excludes funds in wind down and cross investments.

of the units in CFX1 and the shares in CFX Co, any Conversion Right exercised by the Noteholder is currently specified, subject to adjustment in accordance with the provisions of Condition 6, to be into units in CFX1 rather than into the New CFX Stapled Securities.

The result is that no actual units in CFX1 can be issued to Noteholders following the exercise of their Conversion Rights, because the constitution of CFX1 (as amended and restated from time to time) requires that any additional issue of units in CFX1 must be stapled to shares in CFX Co.

Condition 6(a)(vi) provides that if CMIL cannot issue units in CFX1 in satisfaction of the exercise of any Conversion Right by a Noteholder, CMIL undertakes to procure the exercise of a "Cash Settlement Option" (as defined in Condition 6(a)(vi)) (the **Cash Settlement Option**) in full, or to the extent required, to satisfy such Conversion Right. CMIL can also choose to exercise the Cash Settlement Option in full or in part upon conversion of the Notes at its election. The Cash Settlement Option requires CMIL to pay the relevant Noteholder an amount of cash in Australian dollars equal to the "Cash Settlement Amount" (as defined in Condition 22) (the **Cash Settlement Amount**), which is the product of the number of units in CFX1 otherwise deliverable upon exercise of the Conversion Right in respect of the relevant Note or Notes and the "Market Price" (as defined in Condition 22) of the units in CFX1. The issues created by the Internalisation to the Cash Settlement Amount (and the proposed amendments to address these issues) are further discussed below.

If the Proposed Amendments are implemented, the definition of "CFX Unit" and associated definitions in Condition 6(A)(v) will refer to a stapled security comprised of an undivided interest in CFX1 and a share in CFX Co (ie, the New CFX Stapled Security). This will allow any conversion of the Notes to be into New CFX Stapled Securities.

If the Proposed Amendments are not implemented, Noteholders will not be able to be issued any CFX1 units or any New CFX Stapled Securities following the exercise of their Conversion Rights. Only the Cash Settlement Option and subsequent payment of the Cash Settlement Amount to Noteholders will be available.

Conversion Price Adjustments

Condition 6(C) sets out provisions relating to adjustments to the conversion price (as defined in Condition 6(A)(iii)) applicable to an exercise of the Conversion Right in respect of a Note (the **Conversion Price**).

Condition 6(C)(3) provides, in summary, for an adjustment to the Conversion Price if an "Additional Distribution" (as defined in Condition 6(C)(3)) (an **Additional Distribution**) is made to the CFX1 unitholders. The amount of an Additional Distribution is determined in accordance with thresholds set out in respect of each financial year (up to the end of the financial year on 30 June 2017) which are set out in Condition 6(C)(3) (the **Threshold Distribution**).

The Capital Distribution made in connection with the Internalisation, together with ordinary distributions made by CMIL to the CFX1 unitholders for the financial year ending 30 June 2014 is expected to exceed the Threshold Distribution for the financial year ending 30 June 2014. The ordinary distributions expected to be made by CMIL to CFX1 unitholders for the financial year ending 30 June 2014, absent the Capital Distribution, are not expected to exceed the Threshold Distribution for the financial year ended 30 June 2014. The required adjustment to the Conversion Price pursuant to Condition 6(C)(3) (which will occur on 29 August 2014) is expected to result in an estimated reduction in the Conversion Price of approximately 8 cents (3%), based on CMIL's distribution guidance for the financial year ending 30 June 2014.

If the Proposed Amendments are implemented, a new provision within Condition 6(C)(3) will be inserted providing that, notwithstanding the provisions of any Condition, the Capital Distribution, the de-stapling of units in CFX1 and units in CFX2 (as contemplated in the De-stapling Proposal) and the stapling of units in CFX1 with shares in CFX Co (as contemplated in the Internalisation) will not constitute an Additional Distribution, Spin-Off or be otherwise taken into account for the

purposes of any adjustment to the Conversion Price under any Condition. This ensures that, in the opinion of CMIL, fair value is delivered to the Noteholders who exercise their Conversion Rights and who receive New CFX Stapled Securities. In the opinion of CMIL, this is fair because the Capital Distribution was not paid in cash to CFX securityholders but was compulsorily reinvested on their behalf to acquire CFX Co shares, and such shares form part of the New CFX Stapled Securities following their stapling to CFX1 units.

Market Price calculation for the Cash Settlement Amount

The Cash Settlement Amount is calculated by reference to the "Market Price" of CFX1 units (as defined in Condition 22) (the **Market Price**). The Market Price, in summary, is the arithmetic average of the "Volume Weighted Average Price" (as defined in Condition 22) (**VWAP**) of the CFX1 units for each day during the ten consecutive "Stock Exchange Business Days" (as defined in Condition 22) (a **Stock Exchange Business Day**) immediately after the "Cash Settlement Notice Date" (as defined in Condition 22).

The Internalisation will result in CFX1 units not being traded as separate securities on any exchange. Therefore, there will not be any trading price for the CFX1 units (in unstapled form) that can be used for calculating the VWAP. The VWAP will then need to be calculated by reference to such other source as determined to be appropriate by an independent investment bank of international repute (acting as expert) selected by CMIL and approved by the Trustee (the **Independent Investment Bank**).

This calculation will be a subjective assessment of the value of CFX1 units given the VWAP of the New CFX Stapled Securities includes the value of CFX1 units together with CFX Co shares, and there is no trading price for the CFX1 units in unstapled form. If the Independent Investment Bank cannot identify any such other source, then the VWAP of a CFX1 unit will be determined by reference to the VWAP on the immediately preceding Stock Exchange Business Day on which the VWAP of CFX1 units is readily available. Such VWAP would be in respect of a period prior to Internalisation and will likely be lower than the Conversion Price (as adjusted in accordance with Condition 6(C) as discussed above).

If the Proposed Amendments are implemented, the definition of "CFX Unit" as used in the definition of VWAP will refer to the New CFX Stapled Security, rather than units in CFX1. This ensures that the Market Price for calculating the Cash Settlement Amount will be calculated by reference to the VWAP of the New CFX Stapled Securities and not the CFX1 units. Operating in conjunction with the Proposed Amendment to the Conversion Price outlined above, the proposed Market Price calculation will, in the opinion of CMIL, provide fair value to Noteholders who exercise their Conversion Rights and receive the Cash Settlement Amount. In the opinion of CMIL, this is fair because calculation of the notional CFX securities upon conversion is consistent with the Proposed Amendment to the Market Price, as the value of CFX Co shares (arising from compulsory reinvestment of the CFX1 Capital Distribution) is fully reflected in the trading price of New CFX Stapled Securities.

If the Proposed Amendments are not implemented, the Cash Settlement Amount will be determined on a subjective basis by the Independent Investment Bank, and may subsequently result in the VWAP of a CFX1 unit being determined as lower than the Conversion Price (as adjusted in accordance with Condition 6(C) as discussed above).

FORM OF EXTRAORDINARY RESOLUTION

"THAT this meeting of the holders of the A\$300,000,000 5.75 per cent. Convertible Notes Due 2016 of Commonwealth Managed Investments Limited (ABN 33 084 098 180) in its capacity as Responsible Entity of CFS Retail Property Trust 1 (ARSN 090 150 280) (**CFX1**) presently outstanding (the **Notes** and the **Issuer** respectively) constituted by the trust deed dated 4 July 2011 (the **Trust Deed**) between the Issuer and The Bank of New York Mellon (the **Trustee**) as trustee for the holders of the Notes (the **Noteholders**) hereby:

1. assents to the amendment of the terms and conditions of the Notes (as set out in Schedule 4 of the Trust Deed) and the Trust Deed with effect on and from the date of the Amendment Deed (as defined below) as follows:

- (a) each reference to "ordinary units in CFS Retail Property Trust" on the title page, page 1 and Schedule 1 of the Trust Deed shall be deleted and replaced with a reference to "stapled securities comprising of ordinary units in CFS Retail Property Trust 1 and shares in CFX Co";
- (b) the reference to "ordinary units in CFS RETAIL PROPERTY TRUST" in Schedule 1 of the Trust Deed shall be deleted and replaced with a reference to "stapled securities comprising of ordinary units in CFS Retail Property Trust 1 and shares in CFX Co";
- (c) each reference to "CFS Retail Property Trust (ARSN 090 150 280)" in the Trust Deed (other than in the definition of "CFX" in Condition 22) shall be deleted and replaced with a reference to "CFS Retail Property Trust 1 (ARSN 090 150 280)";
- (d) each reference to "responsible entity of CFS Retail Property Trust" in Schedules 1 and 5 of the Trust Deed shall be deleted and replaced with a reference to "responsible entity of CFS Retail Property Trust 1";
- (e) Condition 6(A)(v) shall be deleted and replaced with the following new condition:

"Meaning of "CFX Unit" and "CFX Units": As used in these Conditions, the expression **CFX Unit** means (and **CFX Units** shall be construed accordingly) a stapled security comprising of:

- (a) an undivided interest in CFX (as defined in Condition 22) as provided for in the CFX Trust Constitution and which is described as a **Unit** in the Constitution; and
- (b) a share in CFX Co as provided for in the CFX Co Constitution.

CFX Trust Constitution means the constitution of CFX filed with the Australian Securities and Investments Commission, as amended and supplemented from time to time and **CFX Co Constitution** means the constitution of CFX Co filed with the Australian Securities and Investments Commission, as amended and supplemented from time to time.";

- (f) in Condition 6(C)(3), a new last paragraph shall be inserted as follows:

"Notwithstanding the provisions of any Condition,

- (a) any capital distribution made by CFX to CFX Unitholders which is applied by CFX on behalf of the CFX Unitholders to acquire shares in CFX Co under or in connection with the stapling of ordinary units in CFX with shares in CFX Co;
- (b) the de-stapling of ordinary units in CFX and ordinary units in CFS Retail Property Trust 2 (ARSN 156 647 853); and

(c) the stapling of ordinary units in CFX with shares in CFX Co,

will not constitute an Additional Distribution, Spin-Off or be otherwise taken into account for the purposes of any adjustment to the Conversion Price under any Condition."; and

(g) in Condition 22:

(A) the reference to "CFS Retail Property Trust (ARSN 090 150 280)" in the definition of "CFX" shall be deleted and replaced with a reference to "CFS Retail Property Trust 1 (ARSN 090 150 280)";

(B) a new definition shall be inserted immediately below the definition of "CFX" as follows: "**CFX Co** means CFX Co Limited ACN 167 087 363"; and

(C) a new paragraph shall be inserted at the end of Condition 22 as follows:

"Any act, matter or thing to be done or which may be done by the issuer of the CFX Units shall be construed as any act, matter or thing to be done or which may be done by CMIL and/or CFX Co, as the context may require.",

(the **Proposed Amendments**) as further set out in the draft Amendment Deed (the **Amendment Deed**) amending the Trust Deed and the Paying, Transfer and Conversion Agency Agreement dated 4 July 2011 between the Issuer, the Trustee, The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A. (the **Paying, Transfer and Conversion Agency Agreement**) (such documents as produced to this meeting and signed by the chairman thereof for the purposes of identification) and approves the implementation of the Proposed Amendments;

2. approves, authorises, sanctions and assents to every modification, abrogation, variation or compromise in respect of the rights of the Noteholders appertaining to the Notes against the Issuer, whether or not such rights arise under the Trust Deed, involved in or resulting from or to be effected by the Proposed Amendments and their implementation;
3. authorises, directs, requests and empowers the Trustee to concur in the Proposed Amendments and, in order to give effect thereto and to implement the same, forthwith to execute the Amendment Deed in the form produced to this meeting and signed by the chairman thereof for the purposes of identification with such amendments (if any) thereto as the Trustee shall require and to concur in, and to execute and do, all such other deeds, instruments, acts and things as may be necessary, appropriate or desirable to carry out and give effect to this Extraordinary Resolution and the implementation of the Proposed Amendments; and
4. discharges and exonerates the Trustee from all and any liability for which it may have become or may become responsible under the Trust Deed or the Notes or otherwise in respect of any act or omission in connection with the Proposed Amendments, their implementation or this Extraordinary Resolution."

DOCUMENTATION

A copy of the proposed Amendment Deed is annexed as **Annex A**. Copies of the documents to be amended, namely the Trust Deed and the Paying, Transfer and Conversion Agency Agreement, will be provided by the Principal Agent to Noteholders upon request or alternatively are available for inspection by Noteholders during normal business hours at the specified office of the Principal Agent set out below.

THE TRUSTEE

In accordance with normal practice, the Trustee expresses no opinion on the merits of the Proposed Amendments, the Internalisation or the Extraordinary Resolution set out above and makes no representation as to the completeness or accuracy of this Notice, but has authorised it to be stated that it has no objection to the Extraordinary Resolution set out above being submitted to the Noteholders for their consideration. The Trustee strongly recommends that each Noteholder who is in any doubt as to the impact of the proposed amendments or the Internalisation or the consequences of their implementation should consult with appropriate professional advisers.

VOTING AND QUORUM

The provisions governing the convening and holding of the Meeting are set out in Schedule 3 (*Provisions for meetings of Noteholders*) to the Trust Deed, a copy of which will be provided by the Principal Agent to Noteholders upon request or alternatively is available for inspection by Noteholders during normal business hours at the specified office of the Principal Agent set out below.

Quorum

The quorum required at the Adjourned Meeting for passing the Extraordinary Resolution is two or more persons present in person holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 33 per cent. in principal amount of the Notes for the time being outstanding. Based on the aggregate principal amount of the Notes outstanding as at the date of this Notice being A\$300,000,000, the quorum requirement equates to a principal amount of A\$99,000,000 needing to be present.

The holder of the Global Certificate representing the Notes shall be treated as two persons for the purposes of any quorum requirements of the Adjourned Meeting.

If, within 15 minutes after the time fixed for the Adjourned Meeting a quorum is not present, then the Adjourned Meeting will be dissolved.

Approval Threshold

The approval threshold required to pass an Extraordinary Resolution is a majority consisting of not less than 75 per cent. of the votes cast.

An Extraordinary Resolution passed at a meeting of Noteholders duly convened and held in accordance with the Trust Deed shall be binding upon all the Noteholders, whether or not present at such meeting and whether or not they vote in favour, and each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of such resolution justify the passing of it.

Voting Process

Every question submitted to a meeting shall be decided in the first instance by a show of hands. On a show of hands every person who is present in person and who produces a Note or is a proxy or a representative shall have one vote. Unless a poll is demanded (before, or on the declaration of the result of, the show of hands) by the chairman, the Issuer, the Trustee or by one or more persons holding one or more Notes or being proxies or representatives and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Notes for the time being outstanding, a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If a poll is so demanded, it shall be taken in such manner and (subject as provided below) either at once or after such an adjournment as the chairman directs and the result of such poll shall be deemed to be the resolution of the Adjourned Meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuation of the Adjourned Meeting for the transaction of any business other than the question on which the poll has been demanded.

It is intended that the chairman will demand a poll in relation to the Extraordinary Resolution to approve the Proposed Amendments.

On a poll every person who is so present shall have one vote in respect of each A\$1,000 in principal amount of the Notes so produced or in respect of which he is a proxy or a representative. The holder of the Global Certificate shall be treated as having one vote in respect of each A\$1,000 in principal amount of the Notes represented by such Global Certificate. Without prejudice to the obligations of proxies, any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) which he may have as a Noteholder or as a proxy or representative.

Voting Certificates and Block Voting Instructions

NOTEHOLDERS WHO SUBMITTED BLOCK VOTING INSTRUCTIONS AND APPOINTED A PROXY OR WHO OBTAINED A VOTING CERTIFICATE IN RELATION TO THE INITIAL MEETING ARE INFORMED THAT SUCH BLOCK VOTING INSTRUCTIONS AND APPOINTMENT AND/OR VOTING CERTIFICATES WILL REMAIN VALID FOR THE ADJOURNED MEETING, UNLESS SUCH INSTRUCTIONS AND APPOINTMENTS OR CERTIFICATES ARE DULY SURRENDERED, REVOKED OR AMENDED IN ACCORDANCE WITH THE DEADLINES SET OUT IN THE TRUST DEED PRIOR TO THE ADJOURNED MEETING.

Noteholders wishing to attend and vote at the Adjourned Meeting or wishing to appoint a proxy who attends and votes at the Adjourned Meeting on their behalf and to include the votes attributable to their Notes in a block voting instruction may:

- (a) in the case of Noteholders wishing to attend and vote at the Adjourned Meeting, obtain a voting certificate from the Principal Agent by blocking their Notes to the order of the Principal Agent via Euroclear Bank SA/NV (Euroclear: Corporate Action Department (telephone Brussels +(322) 224 4245, email: Bonds_offers@Euroclear.com)) (**Euroclear**) and/or Clearstream Banking, *société anonyme* (Clearstream: CIE Department (telephone Luxembourg + (352) 46564 6414, fax: + (352) 46564 8248, email: ciefaxes.cs@clearstream.com)) (**Clearstream, Luxembourg**) in accordance with the usual practices thereof, in each case, at least 48 hours before the time fixed for the Adjourned Meeting. The Principal Agent will issue a voting certificate in respect of such Notes so blocked. The bearer of a voting certificate shall be entitled to attend and vote at the Adjourned Meeting; or
- (b) in the case of Noteholders wishing to appoint a proxy who will attend and vote at the Adjourned Meeting on their behalf and include the votes attributable to their Notes in a block voting instruction, at least 48 hours before the time fixed for the Adjourned Meeting:
 - (i) block their Notes to the order of the Principal Agent in an account with Euroclear and/or Clearstream, Luxembourg in accordance with the usual practices thereof; and

- (ii) instruct the Principal Agent how the votes attributable to such Notes are to be cast via Euroclear and/or Clearstream, Luxembourg, in accordance with the usual practices thereof.

In respect of all such Notes so blocked, the Principal Agent will issue block voting instructions authorising proxies to vote in accordance with the relevant Noteholder's instructions in respect of the votes attributable to such Notes at the Adjourned Meeting.

As used in this Notice, "48 hours" or "24 hours" shall mean a period of 48 hours or 24 hours (as the case may be) including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held in each of the places where the Paying, Transfer and Conversion Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 48 hours or 24 hours (as the case may be) until there is included as aforesaid all or part of a day upon which banks are open for business in all of the places as aforesaid.

Holders of any voting certificate and proxies appointed under block voting instructions, in each case, relating to the relevant Notes, wishing to attend and vote at the Adjourned Meeting are requested to produce photographic evidence of their identity at such meeting.

Once the Principal Agent has issued a voting certificate for the Adjourned Meeting in respect of any Notes, it will not release such Notes until either:

- (a) the Adjourned Meeting has been concluded; or
- (b) such voting certificate has been surrendered to the Principal Agent.

Once the Principal Agent has issued block voting instructions in respect of the votes attributable to any Notes in relation to the Adjourned Meeting:

- (a) except as provided below, it shall not release such Notes until the Adjourned Meeting has been concluded; and
- (b) the directions to which it gives effect may not be revoked or altered during the 48 hours before the time fixed for the Adjourned Meeting.

If a Noteholder revokes (via Euroclear and/or Clearstream, Luxembourg, in accordance with the usual practices thereof) its instructions to the Principal Agent as to how the votes attributed to its Notes are to be cast at least 48 hours before the time fixed for the Adjourned Meeting, such Notes will be released and the Principal Agent will exclude the votes attributable to such Notes from the relevant block voting instruction.

Any vote cast by a proxy in accordance with a block voting instruction shall be valid even if such block voting instruction or any instruction pursuant to which it was given has been previously amended or revoked, provided that none of the Issuer, the Trustee or the chairman has been notified in writing of such amendment or revocation at least 24 hours before the time fixed for the Adjourned Meeting.

In relation to the times and dates indicated above, Noteholders should note the particular practices and policies of Euroclear and/or Clearstream, Luxembourg regarding their communications deadlines, which will determine the latest time at which instructions and revocations of such instructions may be delivered to Euroclear and/or Clearstream, Luxembourg (which may be earlier than the deadlines set out herein) so that they are received by the Principal Agent within the deadlines set out herein.

This Notice is given by:

Commonwealth Managed Investments Limited

(ABN 33 084 098 180)

in its capacity as Responsible Entity of CFS Retail Property Trust 1

(ARSN 090 150 280)

Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000
Australia

Dated 29 May 2014

Contact details:

Trustee

THE BANK OF NEW YORK MELLON

One Canada Square
40th Floor, London E14 5AL
United Kingdom
Fax: +44 207 964 6369
Attention: Global Trust Services

Principal Agent

THE BANK OF NEW YORK MELLON

One Canada Square
40th Floor, London E14 5AL
United Kingdom
Fax: +44 207 964 6369
Attention: Global Trust Services

Registrar

THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A.

Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Fax: +352 24 524 204
Attention: New Issues Department

in the case of any notices or communications to any of the Trustee, the Principal Agent or the Registrar, with a copy to:

THE BANK OF NEW YORK MELLON

Level 2, 35 Clarence Street
Sydney NSW 2000
Australia
Fax: +612 9551 5009
Attention: Relationship Management Group



Amendment Deed

Commonwealth Managed Investments Limited

ABN 33 084 098 180 as responsible entity of CFS Retail Property Trust 1
ARSN 090 150 280

The Bank of New York Mellon

as trustee

The Bank of New York Mellon

as principal paying, transfer and conversion agent

and

The Bank of New York Mellon (Luxembourg) S.A.

as registrar

in relation to A\$300,000,000 5.75 per cent. Convertible Notes Due 2016

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THIS DEED is made on

2014

BETWEEN:

- (1) **Commonwealth Managed Investments Limited** ABN 33 084 098 180 in its capacity as responsible entity of CFS Retail Property Trust 1 ARSN 090 150 280 incorporated in the Commonwealth of Australia, whose registered office is at Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000 (the **Issuer**);
- (2) **The Bank of New York Mellon**, acting through its London branch, whose principal London office is situated at One Canada Square, 40th Floor, London E14 5AL, United Kingdom as trustee for the Noteholders (the **Trustee**);
- (3) **The Bank of New York Mellon**, acting through its London branch, whose principal London office is situated at One Canada Square, 40th Floor, London E14 5AL, United Kingdom as principal paying, transfer and conversion agent for the Notes (the **Principal Agent**); and
- (4) **The Bank of New York Mellon (Luxembourg) S.A.** whose specified office is at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg, as registrar for the Notes (the **Registrar**).

RECITALS:

- (A) The relevant parties wish to amend the Principal Documents in the manner set out in this document.
- (B) In order to authorise the Trustee to give effect to the amendments set out in this document, the Issuer convened a meeting of the Noteholders at which an Extraordinary Resolution approving the amendments contemplated herein was duly passed.

THE PARTIES AGREE AS FOLLOWS:

1. **INTERPRETATION**

1.1 **Definitions**

The following definitions apply in this document including the Recitals hereto.

Agents has the meaning given to that term in the Trust Deed.

Conditions means the terms and conditions of the Notes as set out in Schedule 4 to the Trust Deed, and any reference in this document to a particular numbered Condition or paragraph of a Condition shall in relation to the Notes be construed accordingly.

Corporations Act means the *Corporations Act 2001* (Cth).

Effective Date means the date of this document.

Notes has the meaning given to that term in the Trust Deed.

Paying, Transfer and Conversion Agency Agreement means the paying, transfer and conversion agency agreement dated 4 July 2011 between the Issuer, the Trustee, the Principal Agent and the Registrar.

Principal Document means:

- (a) the Trust Deed; and

- (b) the Paying, Transfer and Conversion Agency Agreement.

Trust Deed means the trust deed dated 4 July 2011 made between the Issuer and the Trustee relating to the Notes.

1.2 **Terms defined in the Principal Document**

A term (other than a term defined in clause 1.1) that is defined in any Principal Document (as amended by this document) has the same meaning in this document.

1.3 **Rules for interpreting this document**

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply:

- (a) A reference to:
- (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (v) anything (including a right, obligation or concept) includes each part of it and any part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (d) The word **agreement** includes an undertaking or other binding arrangement or understanding, whether or not in writing.
- (e) The expression **this document** includes the agreement, arrangement, understanding or transaction recorded in this document.

2. **CONSIDERATION**

Each party acknowledges that it has received valuable consideration for entering into this document.

3. **AMENDMENT**

3.1 **Amendment to Principal Documents**

- (a) The Issuer and the Trustee agree to amend the Trust Deed with effect on and from the Effective Date as follows:

- (i) each reference to "ordinary units in CFS Retail Property Trust" on the title page, page 1 and Schedule 1 of the Trust Deed shall be deleted and replaced with a reference to "stapled securities comprising of ordinary units in CFS Retail Property Trust 1 and shares in CFX Co";
- (ii) the reference to "ordinary units in CFS RETAIL PROPERTY TRUST" in Schedule 1 of the Trust Deed shall be deleted and replaced with a reference to "stapled securities comprising of ordinary units in CFS Retail Property Trust 1 and shares in CFX Co";
- (iii) each reference to "CFS Retail Property Trust (ARSN 090 150 280)" in the Trust Deed (other than in the definition of "CFX" in Condition 22) shall be deleted and replaced with a reference to "CFS Retail Property Trust 1 (ARSN 090 150 280)";
- (iv) each reference to "responsible entity of CFS Retail Property Trust" in Schedules 1 and 5 of the Trust Deed shall be deleted and replaced with a reference to "responsible entity of CFS Retail Property Trust 1";
- (v) Condition 6(A)(v) shall be deleted and replaced with the following new condition:

"Meaning of "CFX Unit" and "CFX Units": As used in these Conditions, the expression **"CFX Unit"** means (and **"CFX Units"** shall be construed accordingly) a stapled security comprising of:

- (a) an undivided interest in CFX (as defined in Condition 22) as provided for in the CFX Trust Constitution and which is described as a **"Unit"** in the Constitution; and
- (b) a share in CFX Co as provided for in the CFX Co Constitution.

"CFX Trust Constitution" means the constitution of CFX filed with the Australian Securities and Investments Commission, as amended and supplemented from time to time and **"CFX Co Constitution"** means the constitution of CFX Co filed with the Australian Securities and Investments Commission, as amended and supplemented from time to time.";

- (vi) in Condition 6(C)(3), a new last paragraph shall be inserted as follows:

"Notwithstanding the provisions of any Condition,

- (a) any capital distribution made by CFX to CFX Unitholders which is applied by CFX on behalf of the CFX Unitholders to acquire shares in CFX Co under or in connection with the stapling of ordinary units in CFX with shares in CFX Co;
- (b) the de-stapling of ordinary units in CFX and ordinary units in CFS Retail Property Trust 2 (ARSN 156 647 853); and
- (c) the stapling of ordinary units in CFX with shares in CFX Co,

will not constitute an Additional Distribution, Spin-Off or be otherwise taken into account for the purposes of any adjustment to the Conversion Price under any Condition."; and

- (vii) in Condition 22:

- (A) the reference to "CFS Retail Property Trust (ARSN 090 150 280)" in the definition of "CFX" shall be deleted and replaced with a reference to "CFS Retail Property Trust 1 (ARSN 090 150 280)";
 - (B) a new definition shall be inserted immediately below the definition of "CFX" as follows: **"CFX Co"** means CFX Co Limited ACN 167 087 363"; and
 - (C) a new paragraph shall be inserted at the end of Condition 22 as follows:

"Any act, matter or thing to be done or which may be done by the issuer of the CFX Units shall be construed as any act, matter or thing to be done or which may be done by CMIL and/or CFX Co, as the context may require."
- (b) The Issuer, the Trustee, the Principal Agent and the Registrar agree to amend the Paying, Transfer and Conversion Agency Agreement with effect on and from the Effective Date as follows:
- (i) each reference to "ordinary units in CFS Retail Property Trust" on the title page, page 3 and Schedule 1 of the Paying, Transfer and Conversion Agency Agreement shall be deleted and replaced with a reference to "stapled securities comprising of ordinary units in CFS Retail Property Trust 1 and shares in CFX Co";
 - (ii) each reference to "Ordinary Units in CFS Retail Property Trust" in Schedules 1 and 3 of the Paying, Transfer and Conversion Agency Agreement shall be deleted and replaced with a reference to "stapled securities comprising of ordinary units in CFS Retail Property Trust 1 and shares in CFX Co";
 - (iii) each reference to "Responsible Entity of CFS Retail Property Trust" in the Paying, Transfer and Conversion Agency Agreement shall be deleted and replaced with a reference to "Responsible Entity of CFS Retail Property Trust 1";
 - (iv) in Schedule 1 of the Paying, Transfer and Conversion Agency Agreement, a new paragraph 9 shall be inserted as follows:

"[I/we] acknowledge that the giving of this Conversion Notice constitutes an agreement by [myself/ourselves] to, upon the conversion of the Notes specified in in Paragraph 1 above into CFX Units, become a member of CFX Co."
- (c) Nothing in paragraphs (a) or (b) above of this clause 3.1 affects any right or obligation of either party that arises before the Effective Date.

3.2 **Effect of amendment**

- (a) Except as expressly amended by this document, no changes to any Principal Document are to be inferred or implied, and in all other respects each Principal Document is confirmed and remains in full force and effect.
- (b) With effect on and from the Effective Date, references to any Principal Document in any other Principal Document will be read and construed as references to that Principal Document as amended by this document.

4. **NOTEHOLDER APPROVAL**

The Trustee acknowledges that the Noteholders have passed an Extraordinary Resolution approving the amendments contemplated by this document and the parties acknowledge that the Trustee is directed and authorised to enter into this document, and give effect to the amendments set out herein, pursuant to such Extraordinary Resolution.

5. **GENERAL**

5.1 **Governing law**

- (a) This document and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.
- (b) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this document and accordingly any legal action or proceedings arising out of or in connection with this document ("**Proceedings**") must be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Trustee and the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) The Issuer confirms that the appointment of First State Investments, currently of 3rd Floor, 30 Cannon Street, London EC4M 6YQ (attention: Compliance Department), to receive, for it and on its behalf, service of process in any Proceedings in England under any Principal Document has been terminated, and the Issuer appoints Law Debenture Corporate Services Limited, currently of Fifth Floor, 100 Wood Street, London EC2V 7EX, to receive, for it and on its behalf, service of process in any Proceedings in England in respect of this document or any Transaction Document (as defined in the Conditions). Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, the Issuer irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment in writing, failing appointment of a process agent acceptable to the Trustee, within 15 days after demand by or on behalf of the Trustee, the Trustee shall be entitled by notice to the Issuer to appoint such person at the cost of the Issuer. Nothing shall affect the right to serve process in any other manner permitted by law. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction or, to the extent applicable, of England. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or England or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or in England or if it is determined by any court or other competent authority in that jurisdiction or in England that it does not have such power.

5.2 **Contracts (Rights of Third Parties) Act 1999**

A person who is not a party to this document has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this document.

5.3 **Issuer as responsible entity**

- (a) The Issuer enters into this document only in its capacity as responsible entity of CFX and in no other capacity. A liability arising under or in connection with this document or any related document can be enforced against the Issuer only to the extent to which it can be satisfied out of the property of CFX out of which the Issuer is actually indemnified for the liability. This limitation of the Issuer's liability applies, subject to clause 5.3(c), despite any other provision of this document and extends to all liabilities and obligations of the Issuer in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this document.
- (b) No party may take any action to seek recourse to any assets held by the Issuer in any capacity other than as responsible entity of CFX, including by seeking the appointment of a receiver (except in relation to the property of CFX), a liquidator, an administrator or any similar person to the Issuer to prove in any liquidation, administration or arrangement of or affecting the Issuer (except in relation to property of CFX).
- (c) The provisions of this clause 5.3 do not apply to any obligation or liability of the Issuer to the extent that it is not satisfied because:
 - (i) under the constitution of CFX or by operation of law there is a reduction in the extent of the Issuer's indemnification out of the assets of CFX as a result of the Issuer's fraud, negligence or breach of trust; or
 - (ii) the Issuer has failed to exercise any right of indemnity it has under the constitution of CFX in respect of that obligation or liability.
- (d) No act or omission of the Issuer (including any related failure to satisfy its obligations under this document) will be considered fraud, negligence or breach of trust of the Issuer for the purposes of clause 5.3(c) to the extent to which the act or omission was caused or contributed to by any failure by any other person (other than a person referred to in section 601FB(2) of the Corporations Act) to fulfil its obligations relating to CFX or by any other act or omission of any other person (other than a person referred to in section 601FB(2) of the Corporations Act).
- (e) No attorney, agent, receiver or receiver and manager appointed by a person other than by the Issuer to act on behalf of the Issuer in accordance with this document or any other document has authority to act on behalf of the Issuer in a way which exposes the Issuer to any personal liability and no act or omission of any such person will be considered fraud, negligence or breach of trust of the Issuer for the purpose of clause 5.3(c).
- (f) The Issuer is not obliged to enter into any commitment or obligation under this document or any other document unless the Issuer's liability is limited in accordance with this clause 5.3.

5.4 **Indemnity**

- (a) The Issuer indemnifies each of the Trustee and the Agents and their respective directors, officers, employees, agents and delegates (each an **Indemnified Party**) against any loss, liability, cost, claim, action, demand or expense (including, but not limited to, all proper costs, charges and expenses paid or properly incurred in disputing or defending the foregoing) which it may incur or which may be made against it as a result of or in connection with the proper exercise of its powers and performance of its duties hereunder except for such as may result from such Indemnified Party's own wilful default, gross negligence or fraud.

- (b) Notwithstanding the foregoing, under no circumstances will the Trustee or any of the Agents be liable for any special, punitive, indirect or consequential loss or damage (including without limitation loss of business, goodwill, opportunity or profit) of any kind whatsoever, in each case howsoever caused or arising and whether or not foreseeable, even if advised of the possibility of such loss or damage, and regardless of whether the claim for loss or damage is made in negligence, for breach of contract or otherwise.
- (c) This clause 5.4 survives the termination or expiry of this document or the resignation or removal of the Trustee or any Agent.

5.5 Global Certificate

The Global Certificate in issue prior to the Effective Date will continue to be valid on and after the Effective Date, will be subject to the amended Conditions and the Trust Deed pursuant to this document and will not be called in for replacement or endorsement.

5.6 Giving effect to this document

Each party must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that the other party may require to give full effect to this document.

5.7 Operation of this document

- (a) Subject to paragraph (b) of this clause 5.7, this document contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (c) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

5.8 Amendment

Without limiting any provision of any Principal Document or the Conditions, this document can only be amended or replaced by another deed signed by the parties.

5.9 Counterparts

This document may be executed and delivered in any number of counterparts, all of which, taken together, shall constitute one and the same deed and any party to this document may enter into the same by executing and delivering a counterpart.

IN WITNESS whereof this Amendment Deed has been executed as a deed on the date stated at the beginning.

EXECUTED as a **DEED** by
COMMONWEALTH MANAGED
INVESTMENTS LIMITED ABN 33 084
098 180 in its capacity as responsible
entity of CFS Retail Property Trust 1 ARSN
090 150 280 under power of attorney in
the presence of:

Signature of attorney (who declares that he or she has
no notice of revocation of the power of attorney)

Signature of witness

Name

Name

Date of power of attorney

EXECUTED as a **DEED** by **THE BANK OF NEW YORK MELLON** in its capacity as trustee

By:

EXECUTED as a **DEED** by **THE BANK OF NEW YORK MELLON** in its capacity as principal agent

By:

EXECUTED as a **DEED** by **THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A.** in its capacity as registrar

By:



CFX

CFS Retail Property Trust Group

Impact of Internalisation on Convertible Notes,
incorporating arguments by the Issuer in favour
of proposed amendments

CFS Retail Property Trust 1 (CFX1)

May 2014

One of Australia's largest fully integrated and independently managed retail property groups

Not for release or distribution in the United States

CFS, Colonial First State and Commonwealth are used by CFX Co Limited and its subsidiaries under licence from each of Commonwealth Bank of Australia and The Colonial Mutual Life Assurance Society Limited (as applicable).

In connection with the internalisation of CFX, amendments to the Notes Terms are proposed to fully preserve the conversion rights in an objective and transparent manner

3 Background to Internalisation

9 Operational update and capital management overview

19 Key issues for Convertible Notes

24 Proposed amendments to Notes Terms

29 Summary

31 Appendices



CFX

Background to Internalisation

QueensPlaza, QLD

Internalisation

Key features

- CFX paid Commonwealth Bank of Australia (CBA) \$460 million¹ to internalise the management of CFX and acquire the property funds management and asset management businesses from CBA (the Internalisation)
 - CML remains the Responsible Entity of CFX and is effectively owned by CFX securityholders
- The key management team members who previously managed CFX and operated within CBA's property funds management and asset management businesses are now employed by CFX
- CFX has new revenue streams from
 - Funds management of property funds and mandates, and
 - Asset management of co-owned assets and assets owned by third parties
- Following implementation of the Internalisation on 24 March 2014, CFX is now one of the largest fully integrated and independently managed retail property groups in Australia, with
 - \$13.9 billion² in assets under management,
 - Approximately 850 property professionals, and
 - Proven capabilities in investment management, asset management and corporate services

1. CFX also acquired net assets of the existing business, including cash, receivables, payables and property, plant and equipment, for an additional consideration of \$15m.
2. Based on 30 June 2013 figures, and adjusted for post balance date items including asset sales, estimated asset revaluations and capital expenditure. Excludes funds in wind down and cross investments.



Chatswood Chase Sydney, NSW

Internalisation

Widespread support

CFX



Unanimously recommended by Independent Directors

- The Independent Board Committee (IBC) of the Responsible Entity unanimously recommended that securityholders vote in favour of the Internalisation



Considered fair and reasonable to, and in the best interests of securityholders

- The Independent Expert, Grant Samuel, concluded that the Internalisation is fair and reasonable to, and in the best interests of, non-associated securityholders



Overwhelming support from CFX securityholders

- At the EGM on 7 March 2014, over 98% of CFX securityholders voted in favour of the Internalisation, including strategic holder, The Gandel Group which has an interest¹ in CFX of 26.8%



Equity raisings oversubscribed

- Institutional equity placement and subsequent securityholder purchase plan for retail securityholders closed oversubscribed



Lender consents secured

- All lender and derivative counterparty consents received
- Gearing maintained at 30% and 'A' grade credit rating affirmed by S&P



Chadstone Shopping Centre, VIC

1. Comprising a 17.3% direct interest and a further 9.5% interest pursuant to a right of first refusal arrangement with CBA.

Internalisation

Benefits

CFX



Improved structure

- Scale and diversification benefits of a \$13.9 billion portfolio¹
- Provides opportunities for incremental growth
- Internalised management is the preferred REIT structure by investors
- Replaces fees paid to CBA with lower directly incurred costs over which CFX has greater control



Accretive for securityholders²

- Incremental EBIT of \$48.5m
- 2.1% accretive to forecast distributable income and 4.2% value accretive³



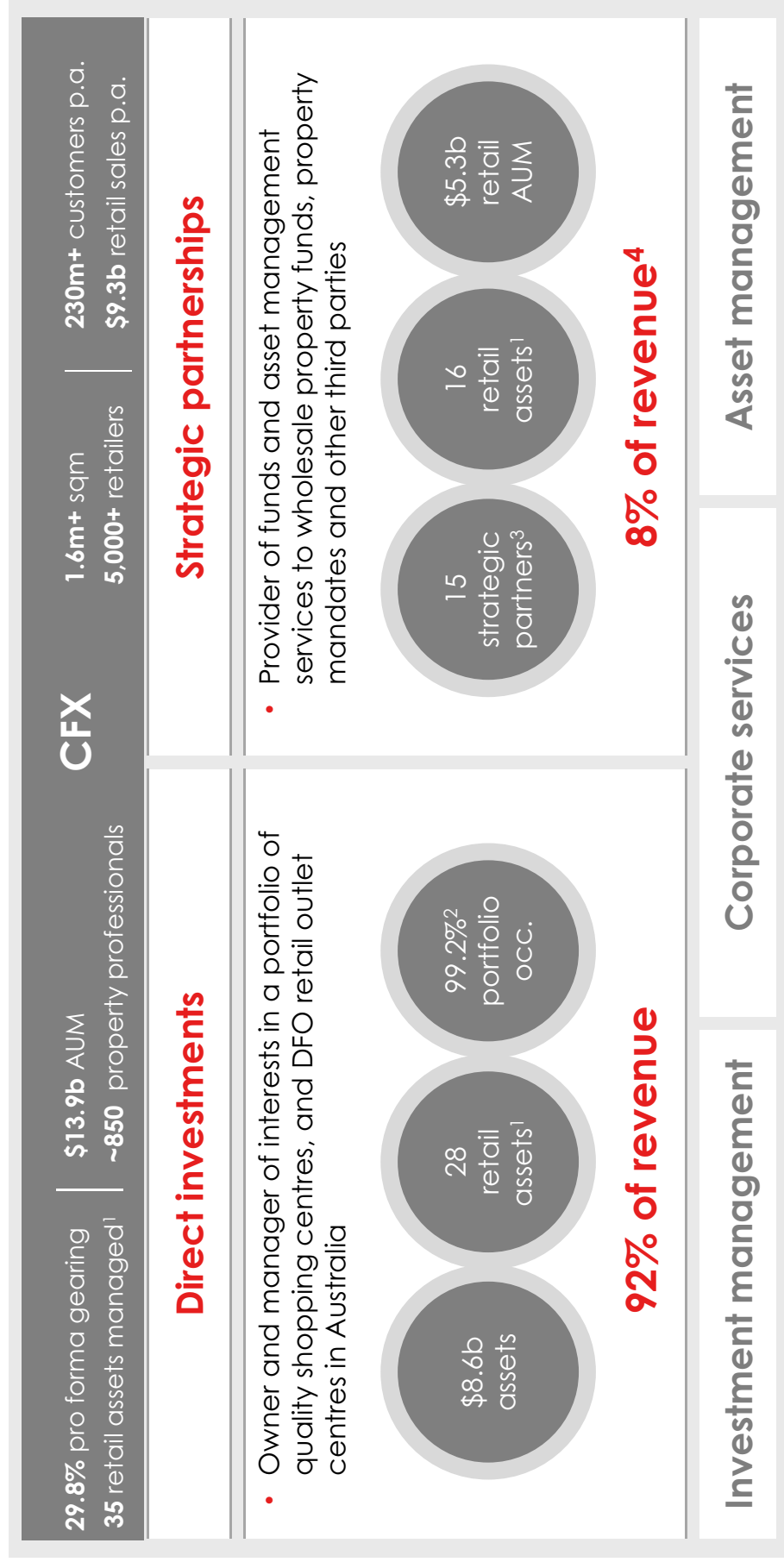
Enhanced governance

- Securityholder election of non-executive CFX Co Board members
- Avoids perceived conflicts of interest which may exist within external management models
- Management employed and incentivised directly by CFX

1. Refer to footnote 2 on slide 4.
2. On a pro forma basis for the 12 months ended 30 June 2014.
3. On a per security basis. Value accretion captures the benefit of costs of approximately \$8m that are saved as part of Internalisation which are not fully captured in distributable income on consolidation but will be reflected in property valuations.

Strategy and business platform

The internalised platform



1. Interests in 28 assets are directly held on the CFX balance sheet. Wholesale property funds and third party mandates have interests in 16 retail assets, of which nine are co-owned with CFX.
 2. Updated to 31 December 2013.
 3. Three wholesale funds/mandates and 12 asset management partners.
 4. Pro forma for FY14. Around half of this revenue is derived from the asset management of assets co-owned with CFX.

Strategy and business platform

Strategy and transition

CFX



Current strategic elements maintained

- Continue to focus on intensive asset management and disciplined investment decisions



Enhanced focus on culture of excellence

- Attracting and retaining the best people
- Efficient systems and processes
- Maintain focus on continuous improvement



Continuity of management assured with key personnel retained



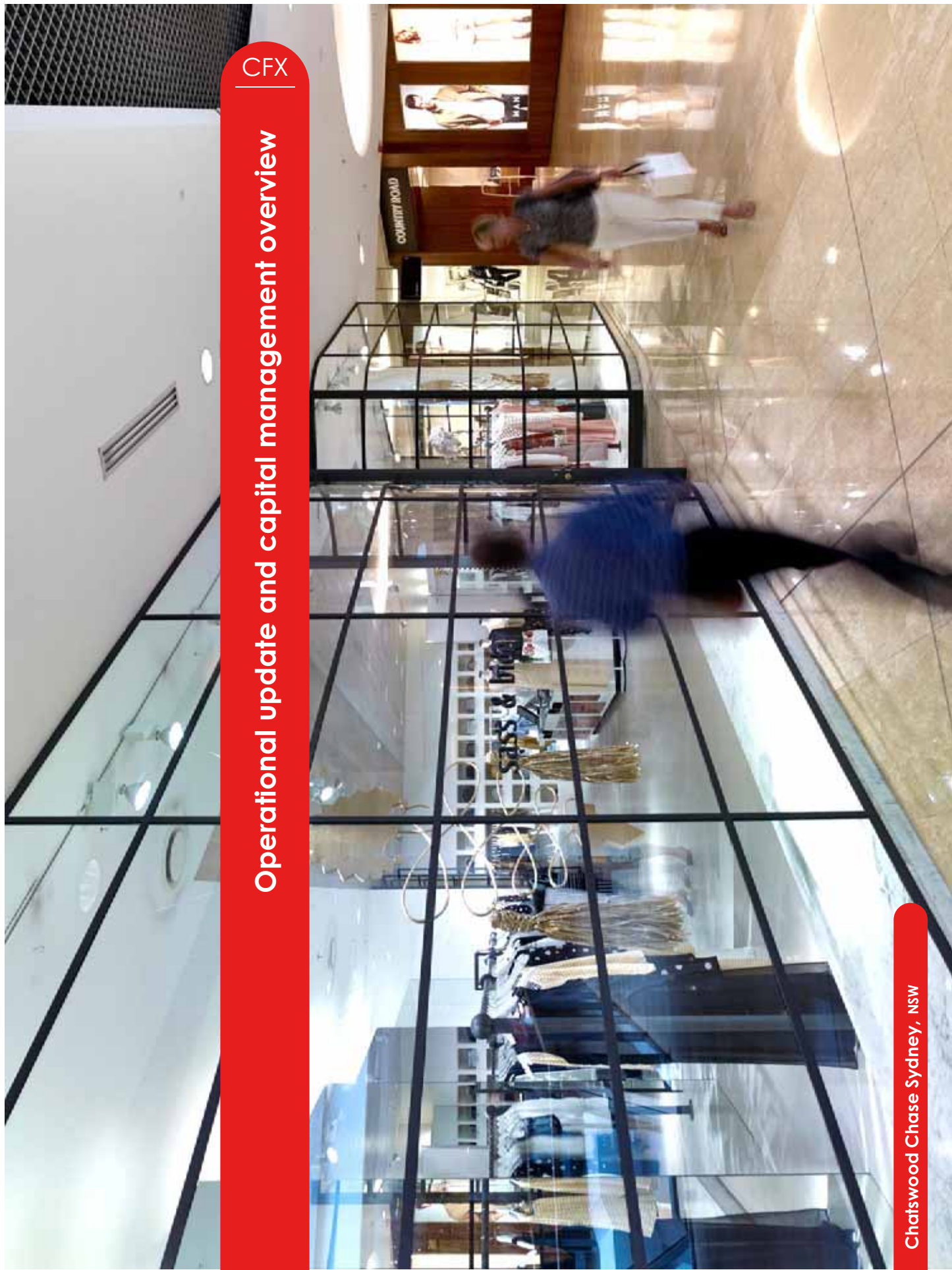
Transitional arrangements underway



CFX

Operational update and capital management overview

Chatswood Chase Sydney, NSW



1H14 achievements

Delivering on strategy



Target		Result
Distribution of 13.3 cps¹		1H14 distribution of 6.8 cps, in line with the prior corresponding period
		660 new leases and renewals executed, albeit with pressure on re-leasing spreads
Intensive asset management		Comparable specialty MAT sales growth of 1.7% achieved, below forecast of 3%
		Solid progress on Emporium Melbourne and DFO Homebush developments which are expected to be fully leased on completion
		Maintained 'A' credit rating from S&P post the Internalisation announcement
Prudent capital management		Proposed Internalisation is fully funded
		Sold Rosebud Plaza at a premium to book value
		CFX ranked No.2 in Oceania and No.3 globally for listed entities, in Global Real Estate Sustainability Benchmark for 2013
Investing responsibly		Joint No.1 for disclosure in CDP for 2013

1. Assuming approximately \$450m of asset sales in FY14, performance fees are paid for the full 2014 financial year and there is no unforeseen material deterioration to existing economic conditions. If there are no further asset sales post the sale of Rosebud Plaza, forecast distribution would be 13.6 cps. Impact of the Internalisation on actual FY14 distribution per security is expected to be neutral as the Internalisation will only be effective for approximately three months to 30 June 2014, the additional December 2013 distribution payable under the Placement, and the issuance of new equity in advance of implementation of the Internalisation.

State of the market

Headwinds diminishing



Chatswood Chase Sydney, NSW

Economy



Growth continues

- Australia's growth remains positive but sub-trend
- The economy appears to be responding to interest rate cuts

Commercial property



Record transactional volumes in 2013

- Foreign interest remains strong
- Support for current book values

A-REIT sector



Corporate activity increasing

- Several significant transactions underway during the period
- A-REITs underperformed the broader market as bond yields rose

Retail environment



Mixed drivers

- Buoyed by positive real wages growth, rising house prices and falling interest rates
- Lower Australian dollar reducing growth in offshore travel and the pricing advantages of offshore (online) retailers
- Challenged by a high savings rate, soft employment growth and rising petrol prices
- Consumer caution remains

Retail observations

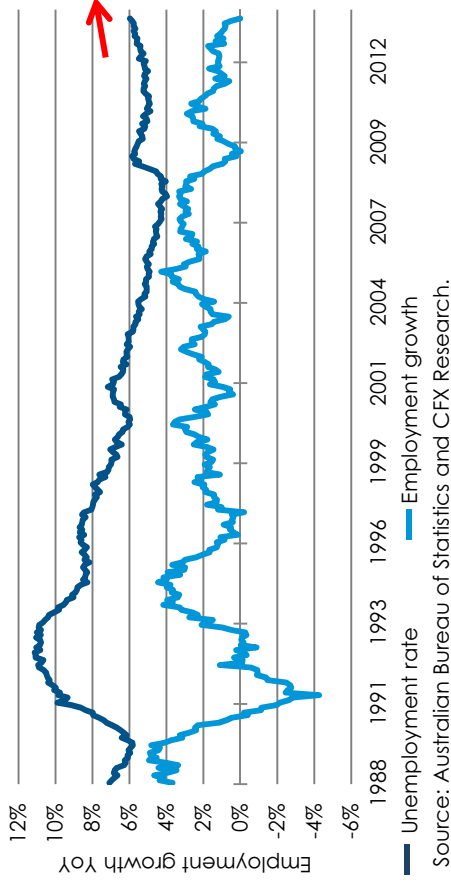
Mixed signs for the industry continue



Unemployment approaching a near-term peak

Australian employment growth

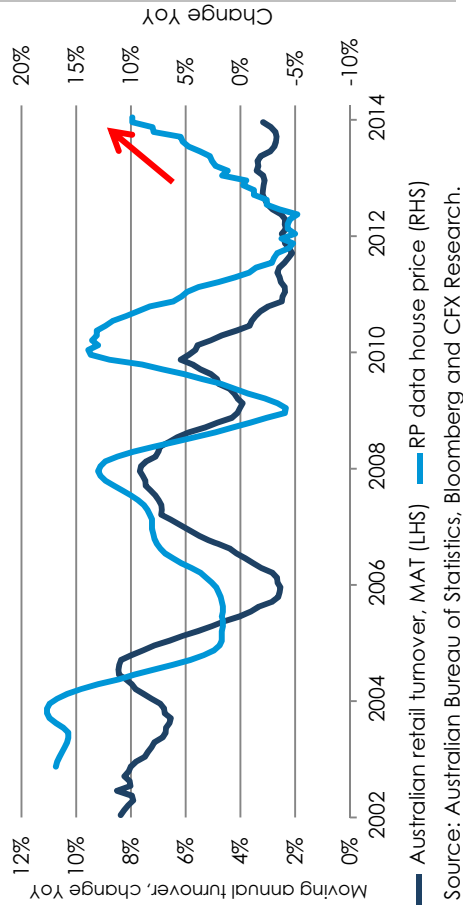
Monthly rests to Jan-14



House prices have rebounded

Retail trade and house prices

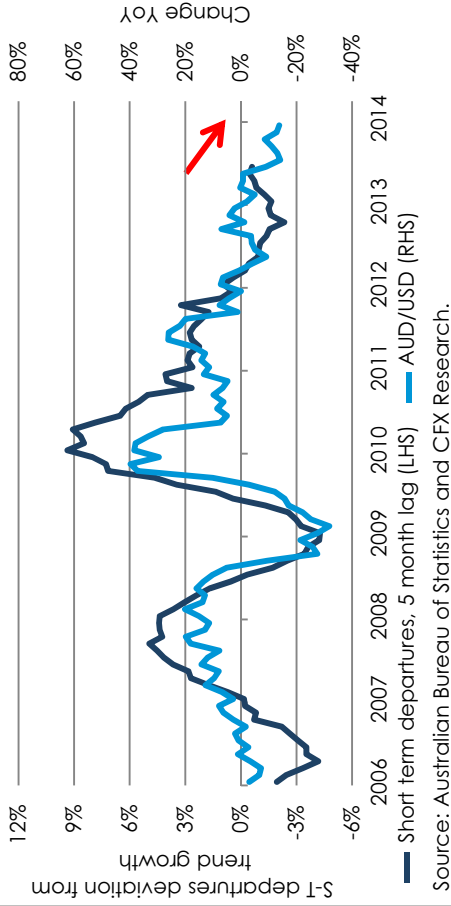
Monthly rests to Dec-13, house prices to Jan-14



Growth in overseas travel is trending downward

Offshore travel and the AUD

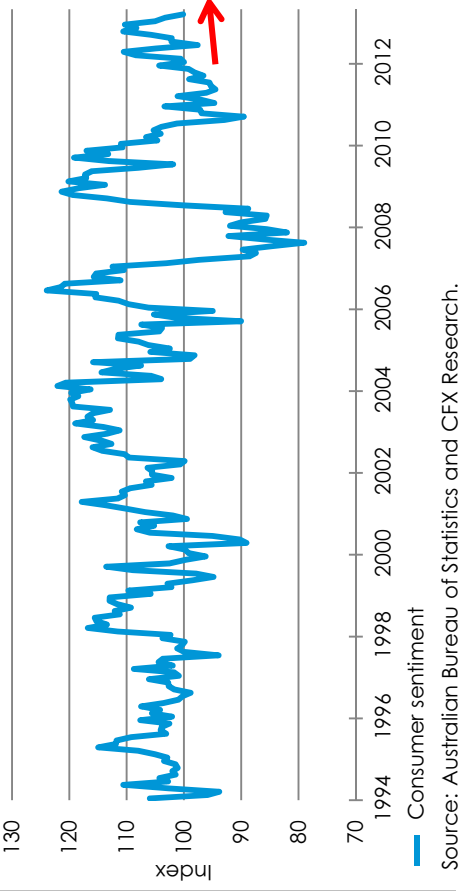
Short-term departure growth relative to trend and YoY change in AUD/USD



Consumer sentiment has stalled

Consumer sentiment

Monthly rests to Feb-14



Portfolio overview

Key statistics remain steady



Key portfolio metrics

As at

31-Dec-13 30-Jun-13

Number of retail properties	28	29
Investment properties (\$m) ¹	8,604	8,560
Weighted average capitalisation rate ^{1,2}	6.38%	6.43%
Total area ('000s, sqm)	1,418	1,422
Number of tenants	4,191	4,234
Number of vacancies	64	54
Occupancy by area	99.2%	99.4%
Retail sales (\$m)	7,679	7,727
Specialty sales (\$/sqm) ^{2,3}	10,090	10,066
Specialty occupancy costs ^{2,3}	17.4%	17.3%

→ Sales productivity continues to improve

Location and number of retail assets



1. Includes equity accounted investment as per Note 5 of the Interim Report.

2. For the shopping centre portfolio, which is excluding Myer Melbourne, the DFO retail outlet centres and 15 Bowes Street, Woden.

3. For comparable centres which refers to those centres that are not undergoing, or have not undergone, substantial redevelopment in either period of comparison. The comparable basket changed during the period with the removal of Rosebud Plaza, VIC and Altona Gate Shopping Centre, VIC, and the inclusion of Bayside Shopping Centre, VIC.

Portfolio overview

Sales growth is steady



Sales by category For the year ended 31-Dec-13	Comparable ¹		Actual	
	MAT (\$m)	Annual growth (%)	MAT (\$m)	Annual growth (%)
Department stores	640.7	(1.7)	649.6	(1.4)
Discount department stores	662.7	(0.9)	727.4	(1.5)
Supermarkets	1,337.3	4.1	1,657.6	7.5
Mini-majors	695.0	0.8	758.3	0.8
Specialty	2,620.0	1.7	2,803.9	2.1
Other retail ²	434.2	(1.2)	497.2	(1.3)
Shopping centre portfolio	6,389.9	1.3	7,094.0	2.2
DFO retail outlet centres	447.5	10.2	585.3	3.6
Total portfolio	6,837.4	1.8	7,679.3	2.3

Reflects the benefit of strategic remixing to improve retail offer since acquisition

1. For comparable centres which refers to those centres that are not undergoing, or have not undergone, substantial redevelopment in either period of comparison. The comparable basket changed during the period with the removal of Rosebud Plaza, VIC and Altona Gate Shopping Centre, VIC.
2. Other retail includes cinemas and sales-reporting tenancies under 400 sqm including travel agents, auto accessories, Lotto and other entertainment and non-retail stores.

Portfolio overview

Sales performance continues to be mixed amongst speciality categories

Speciality sales by category¹ For the year ended 31-Dec-13

	MAT (\$m)	Annual growth (%)
Food retail	175.0	4.4
Food catering	385.6	1.1
Apparel	897.0	(1.2)
Jewellery	215.8	3.6
Leisure	173.3	(2.1)
General retail ²	210.5	0.0
Homewares	270.2	13.3
Mobile phones	102.6	(2.5)
Retail services	190.0	5.6
Total retail speciality	2,620.0	1.7

- Specialty sales growth is being driven by retail services and food
- Apparel and leisure categories continue to face challenges
- Occupancy costs have risen marginally, which have been supported by rising speciality sales per sqm
- Holdovers remain unchanged
- Re-leasing spreads of -4.3% for the period (-5.9% ex-DFO), in line with industry peers
- Occupancy remains almost full at 99.2%

Performance

measures ¹ as at	Dec-13	Jun-13	Dec-12	Jun-12
Occupancy cost %	17.4	17.3	17.3	17.1
Speciality sales \$/sqm	10,090	10,066	9,728	9,576

1. For comparable centres which refers to those centres that are not undergoing, or have not undergone, substantial redevelopment in either period of comparison. The comparable basket changed during the period with the removal of Rosebud Plaza, VIC and Altona Gate Shopping Centre, VIC, and the inclusion of Bayside Shopping Centre, VIC.

2. General retail includes giftware, pharmacy and cosmetics, pets, discount variety, florists and toys.

Capital management

Optimising price, diversity and duration

CFX

Key debt statistics

As at

	31-Dec-13 ¹	30-Jun-13
Weighted average interest rate ²	5.8%	5.6%
Weighted average duration of debt	3.5 years	3.1 years
Proportion of debt hedged ³	90.5%	81.3%
Undrawn debt facilities	\$1,031m ⁴	\$530m
Long term credit rating – S&P	A	A
Gearing	25.7% ⁴	28.8%
Loan to value ratio ⁵	30%	33%
Interest cover ratio ⁵	3.2 times	3.3 times

• Impacted by the repayment of floating debt after the Placement. Excluding this impact, the weighted average interest rate is 5.5%

• 'A' credit rating maintained by S&P post announcement of the Internalisation

We have taken advantage of stronger capital markets to execute \$1.0b of debt facilities.

1. Adjusted for an additional \$250m bank debt facility executed post the period.

2. Including margins and line fees. The 31 December 2013 figure has been impacted by the repayment of \$273m of debt on 24 December 2013 with the proceeds of the Placement.

3. Including all fixed-rate debt.

4. Reflects the impact of the \$280m Placement completed on 19 December 2013 and \$250m new debt facility raised post the period to fully fund the Internalisation. Assuming implementation of the Internalisation, pro forma gearing at 31 December 2013 would be approximately 29.8% and undrawn debt would be approximately \$530m.

5. As defined in the notes to the Interim Report.

Capital management

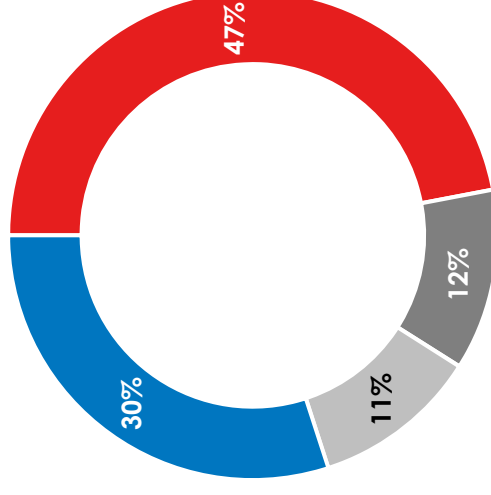
Maintaining diversity and duration



Debt maturity profile ^{1,2}		Facilities expiring	
		\$m	%
FY14	38 260	298	9
FY15	92 100	192	6
FY16	300 440	740	23
FY17	100 300 178	578	18
FY18	375	375	11
FY19	550 38	588	18
BEYOND	225 120 150	495	15
Total facilities		3,266	100
Drawn debt		2,235	
Undrawn debt		1,031	

Key: Bank debt Convertible notes³ US Private Placement Medium term notes

Sources of debt^{1,2}



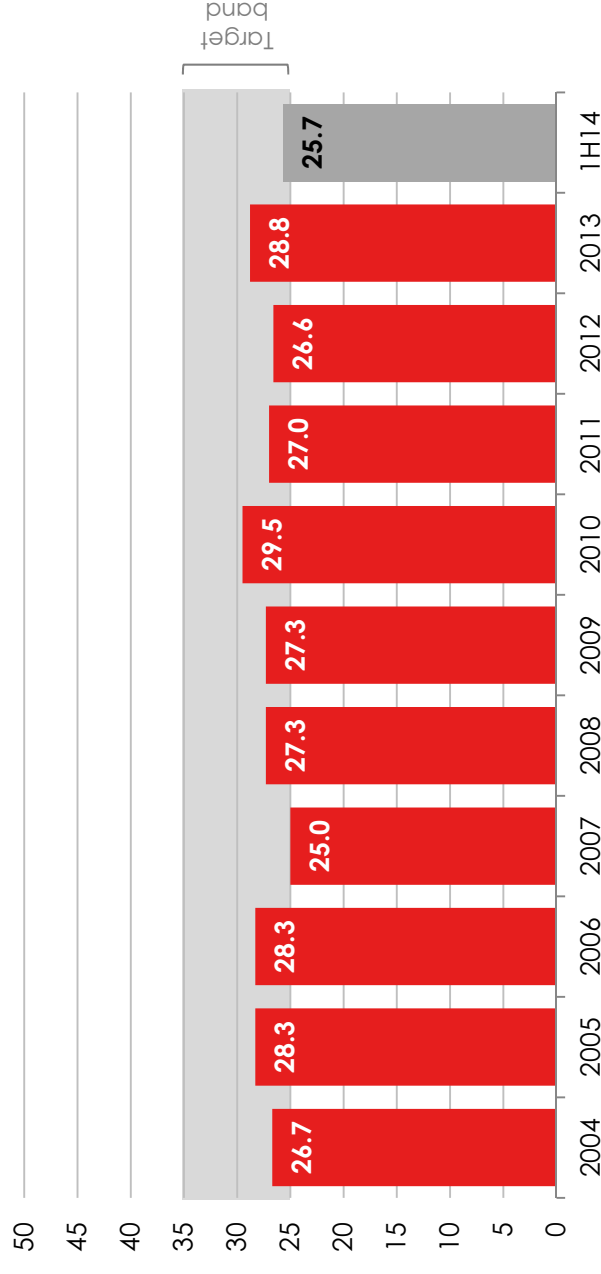
1. Adjusted for a new \$250m bank debt facility executed post the period with expiry in March 2018.
2. Short term notes which expire in FY14 are not included in the debt charts as they are backed by bank debt facilities and do not add to overall funding capacity.
3. The \$300m July 2016 convertible notes have an investor put option in July 2014.

Capital management

Gearing and debt covenants



Gearing history (%)



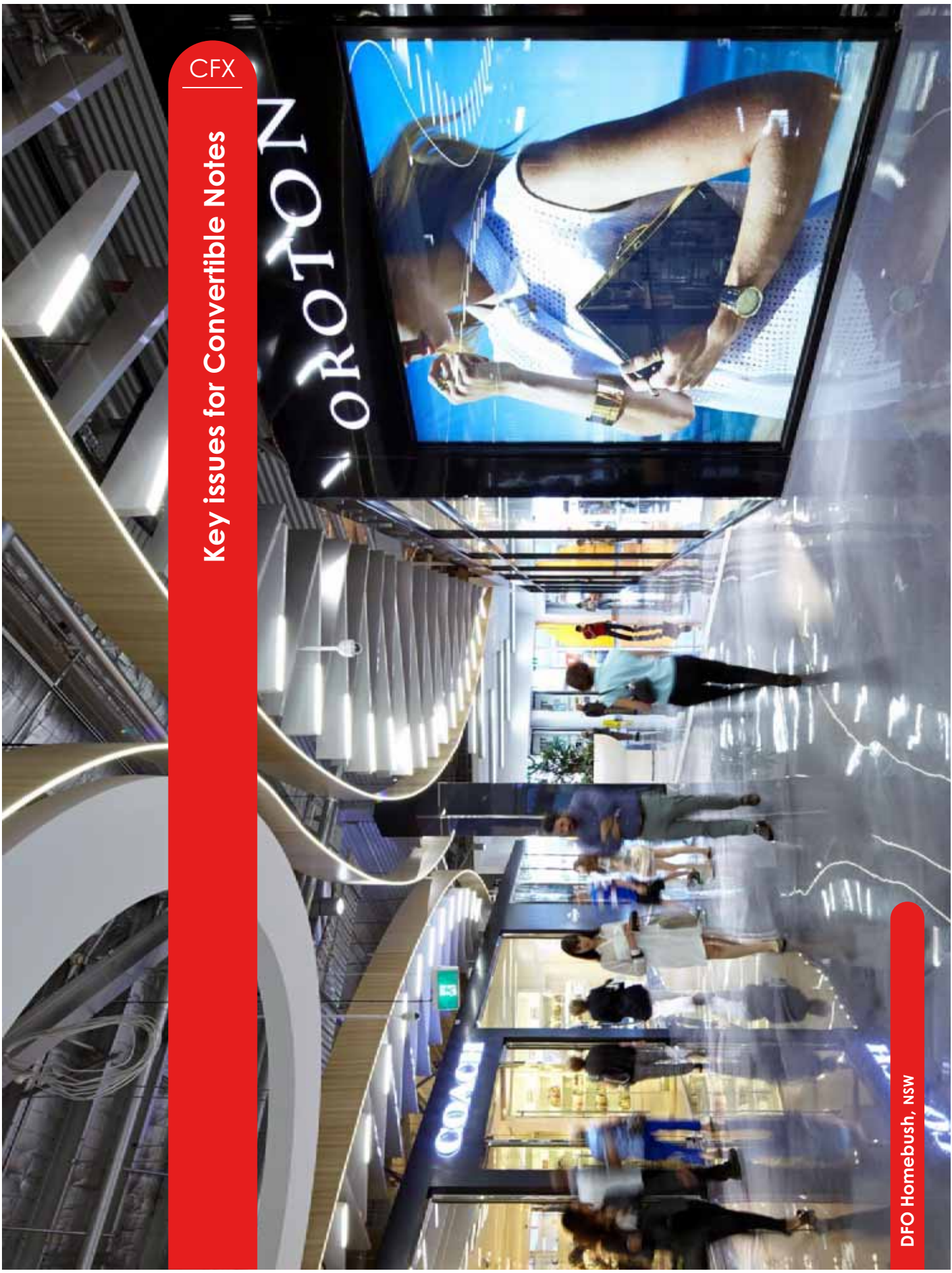
“CFX has never wavered from its strategy of being a conservatively geared A-REIT.”

Key debt covenants

	Threshold	31-Dec-13	30-Jun-13
Loan to value ratio ¹ (LVR)	50% or less	30%	33%
Interest cover ratio ² (ICR)	1.8 times or greater	3.2 times	3.3 times

1. Calculated as total liabilities divided by total assets.

2. Calculated as earnings before interest divided by net interest expense for CFX1. For the purposes of this calculation, earnings represents net profit excluding all fair value adjustments, straight-lining revenue, borrowing costs and net interest expense on interest rate swaps. Interest expense is the sum of borrowing costs, net interest expense on interest rate swaps, and capitalised interest; less non-cash convertible notes interest expense.



CFX

Key issues for Convertible Notes

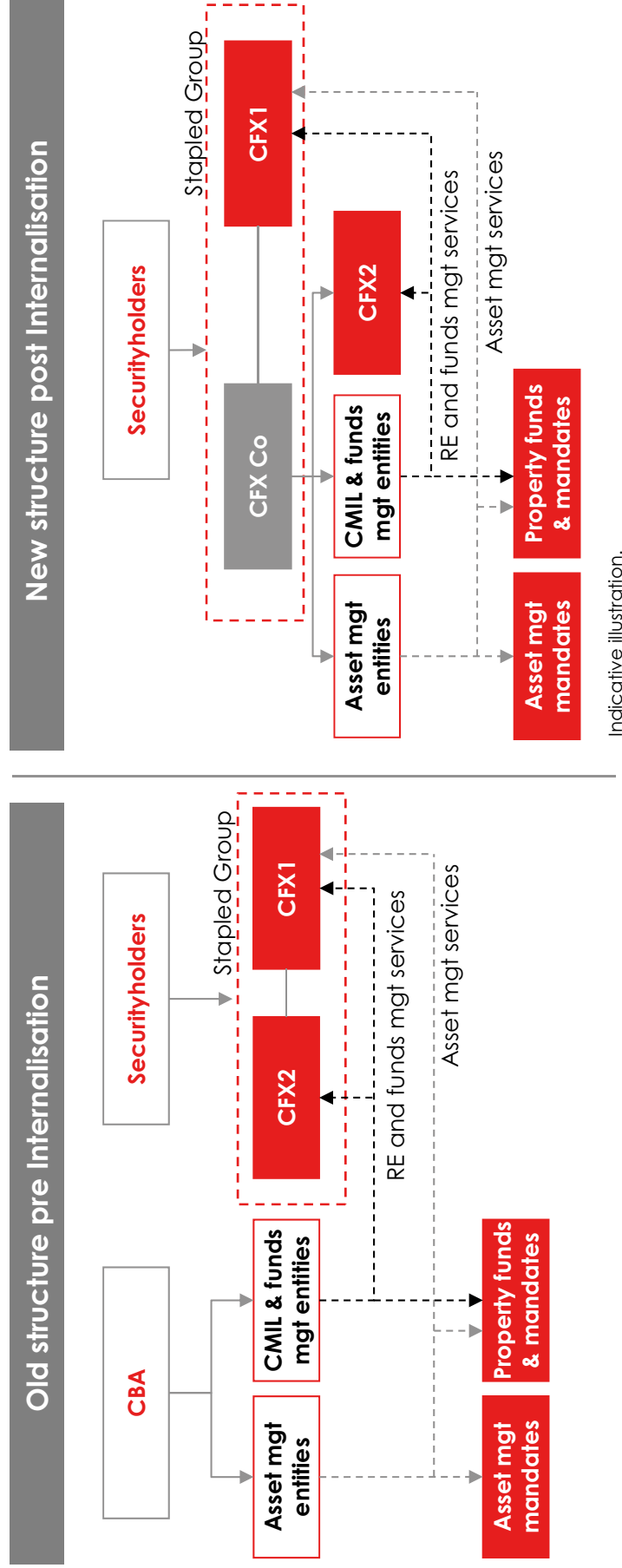
CFX corporate structure

Pre and post Internalisation



Process of implementation

- To implement the Internalisation, CFX1 notionally made a capital distribution to CFX securityholders
 - The capital distribution was not paid in cash, but rather compulsorily applied by the Responsible Entity (CMIL) on CFX securityholders' behalf to acquire shares in a new company, CFX Co
 - CFX Co owns CMIL, the property funds management and asset management entities previously owned by CBA and CFX2 (following its de-stapling from CFX1)
- Post Internalisation, each ASX listed CFX stapled security now comprises a share in CFX Co and a unit in CFX1



CFX Convertible Notes

Key terms



	Notes due July 2016	Notes due August 2014
Original issue size	A\$300 million	A\$600 million
Outstanding Principal	A\$300 million	c.A\$92 million
Coupon	5.75% p.a. Payable 4 January and 4 July	5.075% p.a. Payable 21 February and 21 August
Conversion Price	A\$2.40	A\$2.6668
Conversion Period	14 August 2011 to 23 June 2016	1 October 2007 to 11 August 2014
Put Option Period	5 May to 4 June 2014 (inclusive)	22 June to 20 July 2012 (inclusive)
Put Option Date	4 July 2014	21 August 2012
Final Maturity Date	4 July 2016	21 August 2014

“ Internalisation has greater relevance for the Notes due July 2016, as the Notes due August 2014 will mature before payment of the CFX final distribution for FY14 which is due on 29 August 2014. ”

Consequences for Convertible Notes

Internalisation not contemplated by the existing Notes Terms

No Event of Default

- No Event of Default under the Notes Terms is triggered by implementation of the Internalisation
- Specifically, there is no change of responsible entity, as CMIL continues in this role

Interest Payments

- The Internalisation has no impact on interest payments under the Notes Terms

Redemption Rights

- The Internalisation has no impact on redemption rights under the Notes Terms

Conversion Rights

- The existing Notes Terms provide conversion rights into CFX1 units only, not stapled securities including CFX Co shares
- Conversion requests cannot be satisfied by delivery of CFX1 units only, as the recently amended CFX constitution requires them to be stapled to CFX Co shares
- CMIL has undertaken in the existing Notes Terms to exercise the Cash Settlement Option in full, if it is unable to issue CFX1 units for any reason

Consequences for Convertible Notes (cont.)

Internalisation not contemplated by the existing Notes Terms

Conversion Price Adjustment

- The existing Notes Terms provide for an adjustment to the Conversion Price if CFX1 makes an Additional Distribution, which is an amount in excess of a specified Threshold Distribution level in respect of each financial year ending 30 June
- Current management guidance in respect of ordinary distributions is below the Threshold Distribution level for FY14
- However, when aggregated with the capital distribution on 24-Mar-14 to implement the Internalisation, total distributions payable from CFX1 are expected to exceed the Threshold Distribution level for FY14¹
- The adjustment to the Conversion Price would be effective when the Threshold Distribution level is exceeded, which would only occur upon payment of the final distribution for FY14 on 29-Aug-14
- Application of the Additional Distribution adjustment would result in an estimated reduction in the Conversion Price of approximately 8 cents¹ (3%) for the Notes due 2016, based on current management distribution guidance for FY14

Market Price calculation for the Cash Settlement Amount

- Market Price (10-day VWAP of ASX listed securities) under the existing Notes Terms relates to CFX1 units only, not stapled securities including CFX Co shares
- Post Internalisation, the trading price of CFX1 units is not directly available from the ASX
- In such instance, the existing Notes Terms provide that an Independent Investment Bank can use such other source it considers appropriate to determine the VWAP – **may require a subjective assessment of the value of CFX1, as the VWAP of CFX stapled securities includes the value of CFX Co**
- If the Independent Investment Bank can not determine the VWAP in the requisite period, the Note Terms require use of the last observable VWAP of CFX1 units – **such price is expected to be lower than the Adjusted Conversion Price and in such instance, may deliver less than market value to Noteholders**

1. Refer to [Appendix 1](#). No impact on the Notes due August 2014 is anticipated, as the Final Maturity Date is before the expected payment date of the final distribution for FY14.



CFX

Proposed amendments to the Notes Terms



Chatswood Chase Sydney, NSW

Proposed Amendments to the Notes Terms

Simple and transparent

- **Key changes to the Notes Terms include:**

- Expanded definition of ‘CFX Unit’ in Condition 6(A)(v) to refer to the securities of both CFX1 and CFX Co (and their respective Constitutions)
- New clause within Condition 6(C)(3) stating that the capital distribution to implement the Internalisation made by CFX1 and applied by CMIL on behalf of CFX securityholders to acquire shares in CFX Co, the de-stapling of CFX1 and CFX2 units, and the stapling of CFX Co shares to CFX1 units, is disregarded for the purposes of determining whether an Additional Distribution applies for the year ending 30-Jun-14 or any other conversion price adjustment
- Conversion Notice to be amended to include confirmation that a Noteholder agrees to become a member of CFX Co, as required by the Corporations Act

- **Voting requirements**

- To modify the Conversion Rights requires a quorum of at least 66% of the Notes outstanding, or at least 33% at any adjourned meeting, to pass an Extraordinary Resolution (at least 75% of votes cast in favour)
- Decision is binding on all Noteholders, whether or not present at the meeting in person or by proxy



Chadstone Shopping Centre, VIC

Comparison of alternatives

Proposed Amendments reduce complexity and risk for Noteholders



	If the Amendments are approved	If the Amendments are NOT approved
Conversion Rights	– Conversion into CFX stapled securities possible – Issuer may exercise cash settlement option	– Conversion into CFX stapled securities NOT possible – Issuer will need to exercise the cash settlement option
Conversion Price Adjustment	– No adjustment to conversion price as a result of the Internalisation	– Conversion price may be reduced on payment of the final distribution for FY14 on 29-Aug-14 (due to the capital distribution from CFX1 to implement the Internalisation) – Potential reduction estimated at approximately 8 cents (3%)¹
Market Price calculation	– VWAP based on observable ASX trading data	– Requires an Independent Investment Bank to determine appropriate value (of CFX1 only) – If an Independent Investment Bank cannot determine the value of CFX1 within the requisite period, the last available trading data for CFX1 to be used (pre-Internalisation)

1. Refer to [Appendix 1](#). No impact on the Notes due August 2014 is anticipated, as the Final Maturity Date is before the expected payment date of the final distribution for FY14.

Comparison of alternatives (continued)

Proposed Amendments reduce complexity and risk for Noteholders

	If the Amendments are approved	If the Amendments are NOT approved
Implications for Noteholders		
	Full functionality of conversion rights "translated" from CFX1 units into CFX stapled securities	 Constraints on the operation of conversion rights, as Noteholders cannot receive CFX stapled securities
	No change to conversion price is considered by the Issuer to be fair to Noteholders, as the capital distribution notionally paid to CFX security holders is not paid in cash but is compulsorily reinvested into CFX Co, and its value is fully reflected in the market price of CFX stapled securities received on conversion (or in the Cash Settlement Amount)	 Cash equivalent value is able to be paid on conversion instead
	Market Price calculations are completely objective, using direct trading data for CFX stapled securities	 Reduction in the conversion price is compatible with the Market Price calculation, which seeks to isolate the value of CFX1 and exclude CFX Co ¹
		 Market Price calculation may require a subjective assessment by an Independent Investment Bank
		 There is a risk to Noteholders that option value may not be fully realised if the Independent Investment Bank cannot determine the Market Price of CFX1 within the requisite period, and the last observable market trading prices are used (as they may be lower than the adjusted Conversion Price)

1. Refer to [Appendix 1](#). No impact on the Notes due August 2014 is anticipated, as the Final Maturity Date is before the expected payment date of the final distribution for FY14.

Indicative timetable



Key dates for the Amendments	Date ¹
Notice of Meeting issued to Noteholders	28-Apr-14
Noteholder proxy forms due	23-May-14
Meeting of Noteholders	9.30am (London time), 28-May-14
Amendments to Notes terms take effect (if approved)	No later than 4 June 2014

1. These dates are indicative only and may be subject to change and all other conditions being satisfied.



CFX

Summary

Summary



The Internalisation has been strongly supported by key CFX stakeholder groups

- Unanimously recommended by the Independent Directors
- Considered fair and reasonable to, and in the best interests of non-associated CFX securityholders by the Independent Expert
- Overwhelming voting support from CFX securityholders (>98% in favour)
- All lender consents received, and CFX's 'A' grade credit rating affirmed by S&P



The Convertible Notes can function post Internalisation, subject to certain limitations

- Debt attributes (coupon payments and redemption) are unaffected
- Some constraints have been identified in the operation of Conversion Rights post Internalisation



CMIL is seeking Noteholder approval for Amendments to the Note Terms to preserve the full functionality of Conversion Rights in an objective and transparent manner

- No amendments proposed for the 5.075% Notes due August 2014
- Proposed amendments to the terms of the 5.75% Notes due July 2016 will allow conversion into CFX stapled securities and market price provisions will reference observable market trading data
- 75% majority of votes in favour with a quorum of at least 66% of Notes on issue required to approve the Amendments
- Noteholder vote scheduled for 28-May-14 with Amendments to come into effect shortly thereafter, if approved

CFX

Appendices



The Myer Centre Brisbane, QLD

Appendix 1

Indicative Conversion Price Adjustment



Key assumptions / inputs

Estimated Capital Distribution from CFX1	7.25 cents per CFX1 unit ¹
Management guidance for ordinary distributions for the year ending 30-Jun-14	13.3 cents per CFX security ²
Threshold Distribution for the year ending 30-Jun-14	14.21 cents per CFX1 unit (Notes due July 2016)
Effective date of Conversion Price Adjustment	29 August 2014 (upon payment of the final distribution for FY14)
Current Market Price³	A\$1.90
Conversion Price	A\$2.40 (Notes due July 2016)
Indicative Calculation	
Additional Distribution	6.34 cents per CFX security (= 13.3 + 7.25 – 14.21)
Adjusted Conversion Price	A\$2.3199 (= 2.40 x [1.90 – 0.0634] / 1.90)

1. Per section 4.3 of the CFX Explanatory Memorandum dated 7 February 2014.
2. Assuming approximately \$450m of asset sales in FY14, performance fees are paid for the full 2014 financial year and there is no unforeseen material deterioration to existing economic conditions. If there are no further asset sales post the sale of Rosebud Plaza, forecast distribution would be 13.6 cps.
3. Assumed level for indicative calculation only. Actual level may require a subjective assessment by an Independent Investment Bank of the value of CFX1 only in respect of the 10 trading day period prior to 29 August 2014.

Appendix 2

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Appendix 2

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Appendix 2

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Note on metrics in this presentation

All figures quoted in this Presentation relating to the Internalisation are sourced from the Meeting Booklet dated 7 February 2014.

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