

THE CASE FOR CAPITAL GAIN OPTIMISM



The Target Total Return or Internal Rate of Return (IRR) of 10.25% (net of fees) for the Venu Hospitality Fund (VHF) is **before** including the potential for capital gain over the life of the Fund.

HOW CAN THIS BE ACHIEVED?

EQUITY IRR vs PROPERTY IRR

While others may 'tout' a target property IRR to attract investors, (which is based on the performance of an asset inclusive of distributions and capital gain over an investment period but before leverage is taken into account), the Fund has chosen to reflect this as a baseline equity IRR instead, simply because there are too many variables that come into play over the medium to long term that may impact the terminal or exit values of the assets in an 'open-ended' Fund.

To calculate a 'target' IRR over a 7-year investment term, an exit value must be calculated subject to the following assumptions at the time of sale:

NET INCOME GROWTH

CAPITALISATION RATES / YIELDS

INTEREST RATES

DEMOGRAPHICS & PREVAILING MARKET CONDITIONS

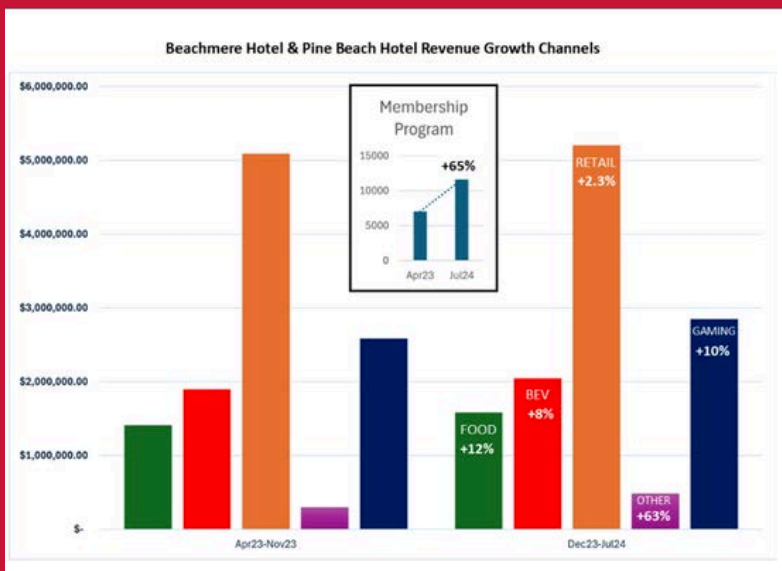
VARIABILITIES TO RETURNS

Over the term of the investment, additional assumptions such as capital expenditure, and in the case of leased investments, occupancy/vacancy rates, incentives and leasing up periods and fees also need to be taken into consideration.



The Fund is exposed to both the upside and downside of operating the Initial Portfolio as freehold going concern hotels – where returns generated by business performance are alongside the returns generated by the property. Whilst great care is taken to ensure the assumptions used to calculate a target IRR are reasonable, any variation from these assumptions has the potential to have a significant impact on the returns generated over the life of the investment.

WE BELIEVE THERE IS A STRONG ARGUMENT FOR CAPITAL GROWTH AND INCOME GROWTH OVER THE 7-YEAR TERM OF THE VENU HOSPITALITY FUND



NET INCOME GROWTH

The initiatives implemented by the Business and Investment managers of the Initial Portfolio of VHF to improve net income were done progressively, suggesting that the full benefit of these strategies is yet to be realised. In addition, future acquisitions within the five-year investment period should provide further value add opportunities, adding to the buying power and economies of scale across the group thereby enhancing the profitability of all venues.

VARIABILITIES TO RETURNS (cont.)

CAPITALISATION RATES / YIELDS

Capitalisation rates or yields are a measure of relative risk when looking at a rate of return across real estate assets or investments. In theory, a larger portfolio of venues should reduce the overall risk profile of the fund due to greater geographic/demographic spread and enhanced back of house functions (in particular, procurement, marketing, compliance and recruitment). A lower risk profile presents a strong argument for yield compression and capital gain.

Average yields for Queensland pubs have historically been higher than those in NSW and VIC

Property Acquisition Example

Purchase Price	\$10m
Net Income	\$1.0m
Purchase Yield	10% or 10x

↪ A 50bps movement in yield to 9.50% or 10.52x results in a new value of \$10.52m or just over 5% capital growth

Interest Cost Example

Purchase Price	\$10m
Debt at 55% LVR	\$5.5m
Net Income	\$1.0m
Interest Cost p.a @ 6%	\$330k
Return on Equity (*)	14.89%

↪ A 50bps movement in the interest rate to 5.5% would equate to a ROE of 15.5% (61bps increase)

INTEREST RATES

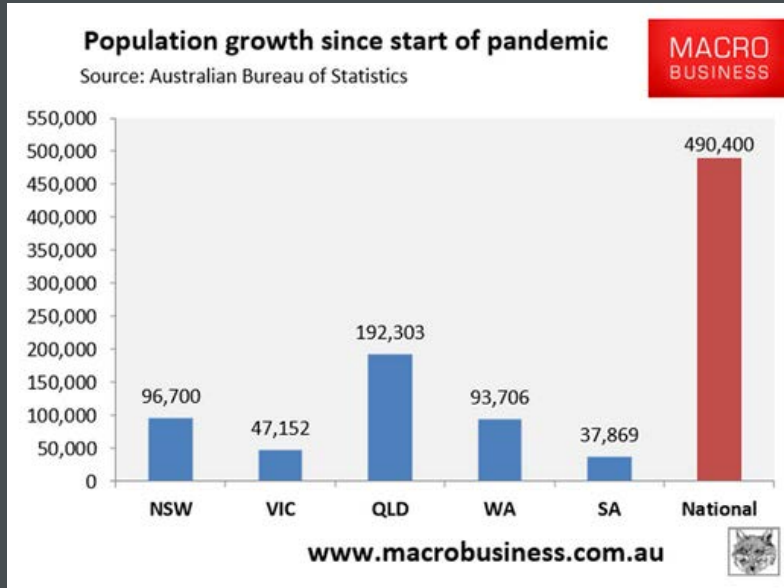
The general consensus amongst economists is that interest rates will remain flat over the balance of 2024 with a downward trend thereafter. The adopted 5-year average interest rate forecast for the Venu Hospitality Fund is 7.47% reflecting a conservative outlook over the short to medium term. Any downward movement in interest rates is likely to increase consumer disposable income, reduce the fund's interest costs and enhance its net income. In addition, interest rate movements have historically had an inverse relationship with yields – that is, as interest rates have decreased, capital values have increased.

As the VHF grows and builds its track record there is a strong argument to suggest that more favourable finance terms may be negotiated

VARIABILITIES TO RETURNS (cont.)

DEMOGRAPHICS & PREVAILING MARKET CONDITIONS

Post pandemic, Queensland has experienced strong population growth from both interstate (in particular, Victoria) and international migration



The Brisbane 2032 Olympics provides a 'runway' for significant infrastructure investment over the next 8 years. In stark contrast to Victoria, investor sentiment towards Queensland is strong and is anticipated to increase as infrastructure is delivered in the lead up to 2032.

We believe that in the context of strong population growth, infrastructure investment and investor sentiment, there is an argument that this will lead to yield compression for hospitality assets over the next 7 years



As Australia emerges from an economic period of heightened inflation and slowing growth, there has been much talk of the economy having to follow a 'narrow path' to avoid recession. The Managers believe that pubs continue to be a counter-cyclical asset class – that generally pubs will do well during times of economic slowdown based on the continued need to socialise and provide enjoyment at an affordable price. This can only be generated through an enhanced food & beverage offering, excellent service and generating customer loyalty, which the Business Managers continue to focus on.

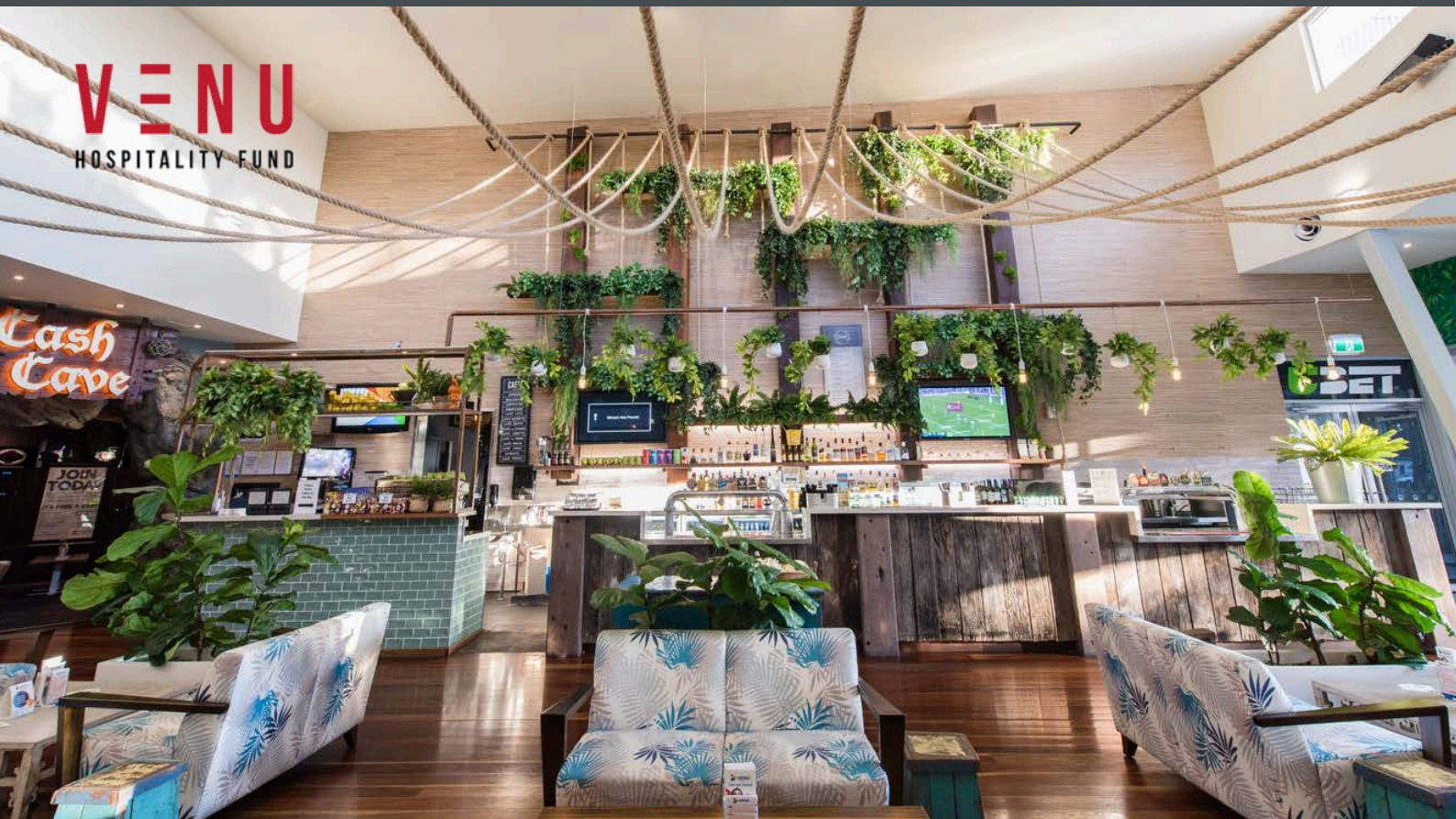
TO FIND OUT MORE ABOUT THE VENU HOSPITALITY FUND

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