



Arrow

Financial
Risk
Management
Policy

5 June 2024

Purpose

This policy should be read in conjunction with ASIC RG 46: Unlisted property schemes: Improving disclosure for retail investors.

ASIC has developed six benchmarks and eight disclosure principles for unlisted property schemes that can help retail investors to understand the risks, assess the rewards and decide whether investments are suitable.

Arrow Funds Management Limited (Arrow) is the Responsible Entity of Arrow Primary Infrastructure Fund (“APIF”) and Arrow Operations Trust (“AOT”), the units of which are stapled. For the purposes of this policy, Arrow will treat both registered schemes as one Fund (“the Fund”), given that AOT is funded by APIF. The Fund is considered an ‘unlisted property scheme’ as it has greater than 50% of its non-cash assets invested in real property.

Benchmarks and disclosure principles

Gearing	Benchmark 1 addresses the Fund’s policy on gearing at a borrowing facility level. Disclosure Principle 1 addresses disclosure of the gearing ratio of the Fund, the calculation of the ratio and its explanation.	Page 3
Interest cover	Benchmark 2 addresses the Fund’s policy on the level of interest cover at a borrowing facility level. Disclosure Principle 2 addresses disclosure of the interest cover ratio of the Fund, the calculation of the ratio and its explanation.	3
Interest capitalisation	Benchmark 3 is not applicable as the Fund does not capitalise interest.	N/A
Scheme borrowing	Disclosure 3 addresses disclosure of the Fund’s borrowing facilities including the circumstances in which facility covenants will be breached.	4
Valuations	Benchmark 4 addresses the way in which valuations are carried out by the responsible entity in relation to the Fund’s assets.	6
Portfolio diversification	Disclosure 4 addresses disclosure of the Fund’s assets, including specific information about development assets.	6
Related party transactions	Benchmark 5 addresses a responsible entity’s policy on related party transactions. Disclosure Principle 5 addresses disclosure about related party transactions.	8
Distribution practices	Benchmark 6 addresses a Fund’s practices for paying distributions from cash from operations. Disclosure Principle 6 addresses where distributions are sourced from and whether forecast distributions are sustainable.	10
Withdrawal arrangements	Disclosure Principle 7 addresses disclosure of the withdrawal arrangements within the Fund and risk factors that may affect the unit price on withdrawal.	11
Net tangible assets	Disclosure Principle 8 addresses disclosure of the net tangible asset (NTA) backing per unit of the Fund.	12

Form and method of disclosure

The benchmark and disclosure principle information should be included in any Product Disclosure Statement (PDS). All PDSs in use as well as ongoing disclosure for unlisted property schemes will be reviewed annually, to check that the benchmark and disclosure principle information is adequately disclosed by Arrow.

Key Risk features of unlisted property schemes

Risk feature	What this means
Gearing	A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to fund assets. This exposes the scheme to increased funding costs if, for example, interest rates rise. A highly geared scheme has a lower asset buffer to rely on in times of financial stress. Disclosure by the responsible entity of its gearing policy, including at an individual credit facility level, helps investors to better understand the risks associated with the responsible entity's approach to gearing.
Interest cover	A property scheme's interest cover ratio is a key 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 expense. A scheme with a low interest cover ratio only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest expense. Disclosure by the responsible entity of its interest cover policy, including at an individual credit facility level, helps investors to better understand the risks associated with the responsible entity's approach to gearing.
Interest capitalisation	Not applicable for the Fund as interest expense is not capitalised.
Scheme borrowing	Relatively short-term borrowings and credit facilities with short expiry dates are a risk factor if they are used to fund assets intended to be held long term. If the scheme has a significant proportion of its borrowings that mature within a short timeframe, it will need to refinance. There is a risk that the refinancing will be on less favourable terms or not available at all. If the scheme cannot refinance, it may need to sell assets on a forced sale basis with the risk that it may realise a capital loss. Breach of a loan covenant may result in penalties being applied, or the loan becoming repayable immediately. The scheme may need to refinance on less favourable terms or sell assets. Termination of critical financing could also mean the scheme is no longer viable.
Portfolio diversification	Generally, the more diversified a portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk. A concentration of development assets in a scheme exposes investors to increased risks involved in the development of property assets.
Valuation of real property	Investing in a property scheme exposes investors to movements in the value of the scheme's assets. Investors therefore need information to assess the reliability of valuations. The more reliable a valuation, the more likely the asset will return that amount when it is sold. However, any forced sale is likely to result in a shortfall compared to the valuation unless the valuation has been made on a forced sale basis.
Related party transactions	A conflict of interest may arise when property schemes invest in, or make loans or provide guarantees to, related parties.
Distributions	Some property schemes make distributions partly or wholly from unrealised revaluation gains, capital, borrowings, or support facilities arranged by the responsible entity, rather than solely from cash from operations available for distribution. This may not be commercially sustainable over the longer term, particularly when property values are not increasing.

Withdrawal rights	Unlisted property schemes often have limited or no withdrawal rights. This means they are usually difficult to exit.
Net tangible assets	The net tangible asset (NTA) backing of a scheme gives investors information about the value of the tangible or physical assets of the scheme. The initial and ongoing NTA backing may be affected by various factors, including fees and charges paid up-front for the purchase of properties, costs associated with capital raising, or fees paid to the responsible entity or other parties.

1: Gearing Policy

Benchmark: Arrow maintains and complies with a written policy that governs the level of borrowings in the Fund, under which it seeks to maintain a Loan to Valuation Ratio (LVR) of less than 65%, calculated as follows:

$$\frac{\text{Amount owing under the Fund's debt facility}}{\text{Total of the latest independent valuation for each property owned by the Fund}}$$

At 31 December 2023, the Fund's LVR was 44.2%.

Disclosure: The Fund's borrowing facility has a requirement to maintain an LVR of less than 65% if distributions are to be made. Arrow monitors the Fund's actual and forecast LVR on a Quarterly basis and provides performance certification on this covenant to the Fund's banker on a six-monthly basis.

Arrow is also required to disclose a **Gearing Ratio** for the Fund, which is calculated as follows:

$$\frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

As at 31 December 2023, the Fund's Gearing Ratio was 42.9%,

The gearing ratio represents the extent to which the assets of the Fund are financed by debt. A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to fund assets and exposes a fund to increased costs if interest rates rise. A highly geared fund has a lower asset buffer to rely upon in times of financial stress.

Investors can use the gearing ratio to assess the potential risks a fund may face in the event interest rates rise or property values decrease, and to compare the risk associated with the Fund's return on investment to other similar products.

Arrow currently complies with its Financial Risk Management Policy and therefore meets this ASIC benchmark.

2: Interest cover

Benchmark: Arrow maintains and complies with a written policy that governs the level of interest cover for the Fund, under which it seeks to maintain a minimum rental to interest cover ratio (RICR) of greater than 1.75 times on a rolling 12 months basis.

The RICR is calculated as follows:

$$\frac{\text{Net rental income (rental from properties (excluding Boomberra Park) less all property management costs)}}{\text{Gross bank interest}}$$

As at 31 December 2023, the Fund's RICR was 2.76 times for the rolling 12 months period.

The above formula differs from the RG46 interest cover ratio (ICR), which was 3.0 times for the half-year to 31 December 2023, as calculated below:

$$\text{ICR} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

EBITDA (earnings before interest, tax, depreciation and amortisation) and interest expense figures used to calculate the interest cover ratio should be consistent with those disclosed in the scheme's latest financial statements. If rental income from Boombera Park is excluded from earnings, then the ICR for the half-year to 31 December 2023 was 2.53 times.

Investors can use the interest cover ratio to assess a fund's ability to meet ongoing interest payments and therefore service debt from its earnings. It is a key measure of the risks associated with a fund's level of borrowings and the sustainability of borrowings. The interest cover ratio also provides an indication of the ability of the Fund to pay expenses of the Fund after the payment of its interest expenses and whether the income of the Fund is sufficient to cover these expenses.

The lower the interest cover, the higher the risk the fund will not be able to meet its interest payments and other expense payments. A fund 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.

Disclosure: The interest cover ratio gives an indication of the Fund's ability to meet the interest payments from earnings.

Arrow's interest cover policy under the Fund's borrowing facility is to maintain a minimum bank interest cover ratio of 1.75 times, calculated in accordance with the above formula, as set out in the Fund's borrowing facility.

As with the LVR, Arrow also monitors its compliance with the RICR obligation under the Fund's borrowing facility on a Quarterly basis using latest forecasts of interest rates (including any existing swap contracts) and rental income. This enables Arrow to quantify the headroom within the Fund's interest cover ratio covenant and any appropriate action that needs to be taken. Arrow reports to its banker each six months on the Fund's actual RICR against the borrowing facility covenant, calculated on a rolling twelve months basis.

Arrow currently complies with its Financial Risk Management Policy and therefore meets this ASIC benchmark.

3: Borrowings

Disclosure: Arrow is required to explain any risks associated with the Fund's borrowing maturity profile, including whether borrowings have been hedged and, if so, to what extent. Arrow should also disclose any information about scheme borrowing and breaches of loan covenants that is reasonably required by investors. Arrow should update investors about the status of scheme borrowings and any breaches of covenants through ongoing disclosure.

(a) Drawn Facilities

As at 31 December 2023 the Fund had total borrowings of \$179.5 million and an undrawn amount available under that facility of \$20.5 million. The total facility available of \$200.0 million has a current expiry date of 4 December 2025. It is the intention of Arrow to continually review the expiry date of the facility to ensure that it remains a non-current liability on the Fund's Balance Sheet at all times.

(b) Managing risks associated with borrowings of the Fund

The risks associated with the Fund's borrowings include:

(i) Refinancing risk

Refinancing risk arises when the Fund holds an asset for a longer period than the term of debt used to acquire the asset.

There is a risk that any refinancing in the future will be on less favourable terms or not possible at all, and this may be as a result of factors outside of Arrow's control. As a result, the Fund may be subjected to higher interest costs, fees and charges, less favourable security arrangements, shorter term debt or other unfavourable terms upon refinancing. These factors may reduce the Fund's net income and therefore negatively affect the Fund's capacity to pay income distributions to investors.

If the Fund's debt facility cannot be refinanced at all, the Fund would be required to sell assets to repay debt. If the assets are sold for less than their most recent valuation, their sale would negatively impact on the Fund's net assets, representing the capital value of investors' investment in the Fund.

(ii) Interest rate risk:

The Fund hedges a portion of its exposure to changes in interest rates on variable rate borrowings by using floating-to-fixed interest rate swaps. By hedging against changes in interest rates, the Fund has limited its exposure to future changes in interest rates on its cash flows. The portion that is hedged is set by the Responsible Entity and is influenced by the hedging requirements set out in the Fund's debt facility documents and the market outlook.

As at 31 December 2023 the Fund had a forward interest rate contract of \$52.5 million until April 2030 and \$25.0 million until July 2028. This represented a hedged interest rate exposure of 43.2% based on the drawn debt of \$179.5 million and an exposure of 38.8% if the \$200.0 million debt facility was fully drawn.

(iii) Breaches of loan covenants:

The Fund's borrowing facilities contain covenants relating to Interest Covered by Rental income (RICR >1.75 times) and Loan to Valuation ratio (LVR <65%), which must be adhered to at all times. A breach of a borrowing covenant may result in the Fund's lender being able to require immediate repayment of the facility, impose a freeze on any further draw-down on the facility, vary the applicable interest rate, charge additional fees or impose further restrictive covenants on the Fund such as a requirement to sell assets over time to reduce or fully repay debt.

As at the date of this document, the Fund is not in breach of any loan covenants and Arrow is not currently aware that any covenants are likely to be breached.

Arrow currently complies with its Financial Risk Management Policy and therefore meets this ASIC disclosure requirement.

4: Portfolio & Valuations

Benchmark: Arrow should maintain and comply with a written valuation policy that requires:

- (a) a valuer to:
 - (i) be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and
 - (ii) be independent.
- (b) procedures to be followed for dealing with any conflicts of interest;
- (c) rotation and diversity of valuers;
- (d) valuations to be obtained in accordance with a set timetable; and
- (e) for each property, an independent valuation to be obtained:
 - (i) before the property is purchased:
 - (A) for a development property, on an 'as is' and 'as if complete' basis; and
 - (B) for all other property, on an 'as is' basis; and
 - (ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

Pursuant to the Constitution of the Fund, Arrow may determine the valuation methods and policies it will apply from time to time in determining the net asset value of the Fund.

The initial value of a property asset will be its purchase price. Subsequently, the value of the property will be the amount shown in the most recent valuation. Arrow's policy is to obtain a formal, independent valuation on each direct property asset at least every three years. A desktop review will be conducted for each property at the end of each half-year and each end of financial year. If the desktop review results in a material movement of greater than 10%, Arrow will obtain a formal independent valuation. All movements in a property's valuation must be approved by the Arrow Board.

Independent valuations must be performed by a qualified valuer who is registered with an appropriate professional body and has a minimum of 5 years' relevant experience. All independent valuations must comply with relevant industry standards and codes.

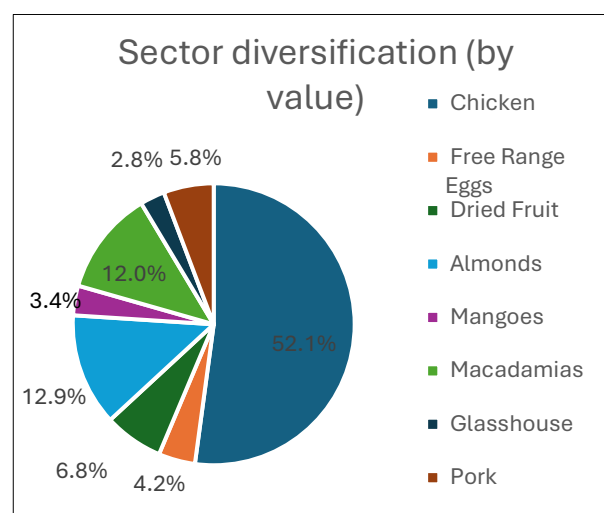
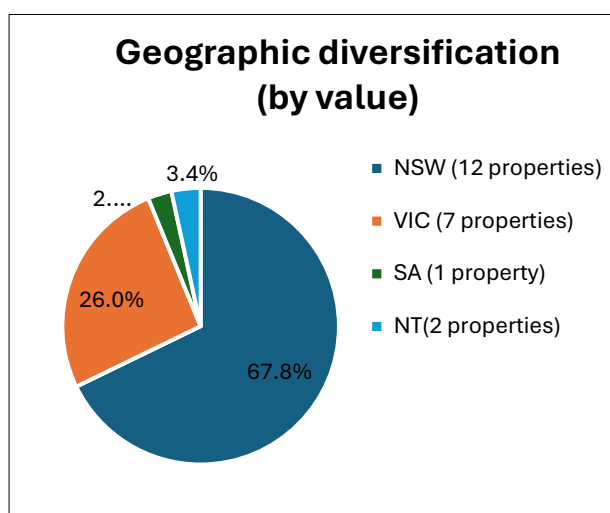
Disclosure: Arrow should ensure that its financial accounts and website provides sufficient information on the diversification of the Fund's portfolio so that an investor in the Fund remains informed on the Fund's exposure by industry, geographic location and tenant.

All leased properties are valued by independent valuers at each six-month reporting period and are carried at their recommended valuation subject to the respective lease. The Fund's Boombera Park property has been developed by Arrow between 2019 and 2024 into a modern, large-scale macadamia farm and is considered a development asset, which is carried at the lower of cost and market value. As at 31 December 2023, the property is carried at cost, which is less than its independent market value.

Arrow currently complies with its Financial Risk Management Policy and therefore meets this ASIC benchmark & associated disclosure requirement.

Fund snapshot as at 31 December 2023:

Number of directly held properties:	22
Number of indirect investments:	Nil
Total number of properties Fund has exposure to:	22
Percentage of direct property to total assets	97.1%
Cash and other assets	2.9%



Tenancy details as at 31/12/2023:

Occupancy rate (Fund): 88.0% (based on property values)

Weighted average lease expiry (WALE): 15.0 years as at 31/12/2023

Tenant	Property	% of portfolio income
Baiada Poultry Pty Ltd	Boronia Breeder Farms, Lynwood Breeder Farm, Woodleigh Breeder Farms, Bearii Breeder Farm, Rhynie Breeder Farm, Nagambie Broiler Farm, Bidgee Complex, Avenues Complex, Bowlers Lane Farms, Tangaratta Breeder Farm, Glenara Park Breeder Farms	55.3%
Turosi Foods Farming Division Pty Ltd	Myers Breeder Farm	3.0%
Select Harvests Limited	Lake Powell Lot 2 and Lots 5 and 6	14.0%
Seven Fields Pty Ltd (Nutrano Group)	Eumaralla Mango Farm and Katherine Packing Shed	4.0%
Pace Farm Pty Ltd	Kelso Park	4.6%
Golden Dried Fruits Pty Ltd	Advinco Farm	7.1%
Green Camel Pty Ltd	Glasshouse	5.1%
Sunpork Consolidated Pty Ltd	Thyra Pig Farm	6.9%

Lease expiry profile (by rental income):

Lease expires during (financial year)	Vacant	FY2025	FY2026	FY2027+
Percent expiring	Nil	0.0%	0.0%	100%

Arrow's investment strategy for the Fund:

To invest in primary infrastructure and property so as to provide investors with stable cash returns and the potential for income and capital growth.

5: Related party transactions

Benchmark: Arrow maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.

Arrow has established a procedure which sets out the processes for identifying, managing and resolving situations where conflicts of interest and related party transactions arise, or might be perceived to arise. This procedure has been prepared in accordance with the Conflicts of Interests Policy approved by the Arrow Board and ASIC Regulatory Guide No. 181: Licensing: Managing Conflicts of Interests.

The Constitution of the Fund provides that Arrow or its associates may enter into a transaction with the Fund or with a person dealing with the Fund, or have an interest in any such transaction. Where such related party transactions occur, Arrow will ensure that contracts are on an arm's length basis. If an intermediate vehicle was to be used, Arrow must ensure that the use of the intermediate vehicle does not result in any material increase in the management costs of the Fund.

There are risks associated with related party transactions as a result of the potential conflicts of interest which may arise. Related party transactions may carry the risk that they could be assessed and monitored less rigorously than arm's length third party transactions.

Any potential transactions with related parties will undergo an assessment process and must be approved by the Board. No related party transactions can be approved or entered into unless they are on arm's-length, commercial terms (or have been approved by investors). The Board must consider and document its consideration in respect of whether the related party transaction is on arm's length terms. Directors with an interest in the transaction will be precluded from voting on the approval of the transaction. An external valuer or other independent expert may be engaged to verify that a related party transaction is on arm's length terms.

The policy also requires the making of appropriate disclosures to investors in relation to related party transactions. Related party transactions are monitored by Arrow's compliance officer and the Board. The compliance officer reviews the policy and will update the policy in response to changes in internal structure, legislation and regulations and market developments where necessary.

Arrow currently complies with its policies and procedures in relation to entering into any related party transactions and therefore meets this ASIC benchmark.

Disclosure: Responsible entities that enter into transactions with related parties should describe related party arrangements relevant to the investment decision. The description should address:

(a) the value of the financial benefit;

(b) the nature of the relationship (i.e. the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act or ASX Listing Rules—for group structures, the nature of these relationships should be disclosed for all group entities);

(c) whether the arrangement is on 'arm's length' terms, is reasonable remuneration, some other exception applies, or we have granted relief;

(d) whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme);

(e) the risks associated with the related party arrangement; and

(f) whether the responsible entity is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangement, and how this is monitored.

On 1 July 2023 Boombera Park Macadamias Pty Ltd (owned by Arrow Operations Trust) commenced leasing the Boombera Park property from Arrow Primary Infrastructure Fund on a commercial, arm's length basis. As disclosed in the financial statements, rent for the property for the half-year to 31 December 2023 was \$2.150 million, which has been excluded from appropriate financial ratios. As the landlord and tenant are effectively owned by exactly the same unitholders, further disclosure is not considered necessary in this document.

The below section describes the related party transactions to which Arrow is a party with respect to the Fund, which are relevant to an investment decision.

As at 31 December 2023, Arrow and its related parties have the following ongoing transactions with the Fund. Investor approval was not required for these transactions which were conducted on arm's length and commercial terms.

Transaction	Est. value of financial benefit
Murray Jones, a director of Arrow, receives an annual fee for acting as an external member of the Compliance Committee formed under the Corporations Act for the purposes of monitoring the Responsible Entity and the Fund	\$15,914 per annum
Agri Management Pty Ltd, an entity associated with Andrew Ashbolt, Managing Director of Arrow, is engaged as asset/property manager for the properties held in the Fund on an arm's length, commercial basis. The fees for this engagement are charged monthly to the Fund.	\$20,905 per annum per property excluding Boombera Park, which is \$72,721 per annum.

As at 31 December 2023, parties related to Arrow held the following number of units in the Fund:

Unitholder	No. of units
Agri Investments Pty Ltd	11,000,000
Superflete Pty Ltd	4,231,071
Reid Advisory Pty Ltd	751,765
MJJ Nominees (Vic) Pty Ltd	776,076

Arrow is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangements listed above. Compliance with these policies and procedures is monitored by Arrow's compliance officer on a regular basis and any new or varied related party transactions are recorded in Arrow's conflicts of interest register and reported to the Board.

6: Distribution Practices

Benchmark: The distributable income of the Fund generally consists of rent and interest received, less the expenses of the Fund. Distributions will be paid after deducting any taxes that are applicable.

The Fund will generally only pay distributions from its cash from operations (excluding borrowings) available for distribution.

Where Arrow as Responsible Entity of the Fund considers it to be appropriate and prudent, a component of distributions may be paid from capital (borrowings and/or equity) and the rationale for doing so disclosed to investors.

Disclosure: If a scheme is making or forecasts making distributions to members, the responsible entity should disclose:

(a) the source of the current distribution (e.g. from cash from operations available for distribution, capital, unrealised revaluation gains);

(b) the source of any forecast distribution;

(c) whether the current or forecast distributions are sustainable over the next 12 months;

(d) if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources;

(e) if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and

(f) the impact of, and any risks associated with, the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings) available for distribution.

Source of current quarterly distribution:	Cash from operations and borrowings/equity.
Source of forecast distributions:	Cash from operations and borrowings/equity.
Are the current and forecast distributions sustainable over the next 12 months?	Yes.
If the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources:	The distributions paid for Q1 and Q2 of FY2024 totalling 4.0 cents per unit (cpu) include 0.87 cpu sourced from borrowings. This is considered appropriate given the value being created at the Fund's Boombera Park macadamia property, which is held at cost in its financial statements.
If the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months:	Yes.
The impact of, and any risks associated with, the payment of distributions from the Fund from sources other than cash from operations (excluding borrowings) available for distribution:	Investors' equity (NAV/unit) will decrease.

Arrow currently complies with its Financial Risk Management Policy and therefore meets this ASIC benchmark & associated disclosure requirement.

7: Withdrawal arrangements

Disclosure: If investors are given the right to withdraw from the Fund, Arrow should clearly disclose:

- (a) whether the constitution of the scheme allows investors to withdraw from the scheme, with a description of the circumstances in which investors can withdraw;
- (b) the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors);
- (c) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme, or the unit price at which any withdrawal will be made (including risk factors that may affect the ability of the responsible entity to meet a promoted withdrawal period);
- (d) a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and
- (e) if withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility.

The Constitution provides for the manner in which investors may withdraw their investment from the Fund. Investors can only withdraw an investment in the Fund when Arrow makes a withdrawal offer to all investors. This is because the Fund does not have sufficient 'liquid' assets (as defined in the Corporations Act) that could be realised within 90 days (the period specified in the Constitution for satisfying withdrawal requests). By their nature, investments in real property are generally illiquid. An investment in the Fund should therefore be considered long term and illiquid.

When the Fund is illiquid

If the Fund is illiquid, as it currently is, investors can only withdraw an investment in the Fund when Arrow makes a withdrawal offer to investors. Arrow is not obliged at any time to make a withdrawal offer and it may suspend withdrawals if certain conditions are not satisfied. If Arrow makes a withdrawal offer, Arrow may determine the terms of the withdrawal offer in its absolute discretion.

If the Fund is liquid

If the Fund becomes liquid, meaning that at least 80% of the Fund's assets could be realised for its market value within 90 days to fulfil the value of the withdrawal request, an investor may make a request for withdrawal for some or all of their units. If Arrow gives effect to an investor's withdrawal request, it would then be required to make payment within 90 days of receiving the withdrawal request. Arrow need not give effect to certain withdrawal requests which are below the minimum application amount, unless the withdrawal request relates to the remaining balance of the investor's investment in the Fund.

Arrow currently complies with its Financial Risk Management Policy and therefore meets this disclosure requirement.

8: Net tangible assets

Disclosure: Arrow should calculate the NTA of the scheme using the following formula:

NTA = Net assets – intangible assets +/- any other adjustments / Number of units in the scheme on issue

Arrow should disclose the methodology for calculating the NTA and details of the adjustments used in the calculation, including the reasons for the adjustments. Arrow should also explain to investors what the NTA calculation means in practical terms and how investors can use the NTA calculation to determine the scheme's level of risk.

Arrow discloses the net tangible asset per unit on its website. The net tangible asset shows the value of the Fund's assets upon which the value of units is determined. The net tangible asset per unit of the Fund was \$1.2357 as at 31 December 2023 and is the value of the Fund's assets less the Fund's liabilities (including appropriate adjustments), calculated in accordance with the Constitution of the Fund. This calculation is equivalent to the formula provided by ASIC to calculate the net tangible asset per unit, as set out below:

$$\text{Net tangible assets} = \frac{\text{Net assets – intangible assets +/- other adjustments}^*}{\text{Number of units on issue}}$$

- * Note that the following adjustment has been made in the calculation of the Fund's net tangible asset. The net tangible assets include water licences as they have a tradable value in the market and are attached to the property assets leased to the tenants. Water licences are therefore considered a tangible asset.

In practical terms, the net tangible assets calculation is a measure of the amount per unit that an investor's investment in the Fund may be worth. However, there is no guarantee that units can be realised for this value as there is no liquid market for units and any disposal would need to be negotiated individually between willing buyers and sellers. The value may be affected by various factors including transaction costs for properties, costs associated with capital raisings or fees paid to the Responsible Entity or third parties.

If the net tangible assets per unit is less than the price that an investor paid to acquire units in the Fund (prior to any capital return paid during the Fund's term), then there is a risk that investors will not have their capital repaid when exiting the Fund or upon the winding up of the Fund.

Arrow currently complies with its Financial Risk Management Policy and therefore meets this ASIC benchmark & associated disclosure requirement.