STIRLING ENHANCED YIELD FUND
DECEMBER 2021

OVERVIEW

The Australian Securities and Investments Commission issued Regulatory Guide 46: "*Unlisted property schemes: Improving disclosure for retail investors*" ('**RG 46**') in March 2012. RG 46 sets out six benchmarks and eight disclosure principles for improved disclosure to retail investors to help them compare risks and returns across investments in the unlisted property sector.

The RG 46 regime specifies that responsible entities of unlisted property schemes offered to retail investors and in which retail investors have invested should disclose against these benchmarks on an 'if not, why not' basis.

The information below follows the RG 46 guidelines and is based on the most recent financial statements adjusted for any material changes since those statements. These statements are presented prior to the completion of the half year financial review, which is expected to be completed by 6 April 2022.

We are committed to providing investors in Stirling Enhanced Yield Fund (the '**Fund**') with timely and balanced disclosure of all material matters concerning the Fund in accordance with its continuous disclosure obligations, including RG 46. Key information and any material changes will be updated by us and made available on our website at www.stirlingpropertyfunds.com.au

GEARING RATIO

Disclosure Principle 1

The Fund's gearing ratio indicates the extent to which its assets are funded by external liabilities.

$$\textit{Gearing ratio} = \frac{\textit{Total interest bearing liabilities}}{\textit{Total assets}}$$

Application of Disclosure Principle 1

FUND	GEARING RATIO
Stirling Enhanced Yield Fund	47.74%`

The gearing ratio is calculated using the assets and liabilities published in the most recent financial statements adjusted for any material changes since those statements. The Responsible Entity will continually monitor the Fund's debt requirements and may seek to refinance or hedge the borrowings when conditions are favourable. Borrowing (or gearing) can be an important investment tool because, through borrowing, larger amounts become available to generate returns. But whilst this can enhance any gains, conversely it can magnify any losses. Returns from geared investments are also more volatile than returns from the same investments that are not geared. Accordingly, a geared fund will be regarded as having a higher risk profile than a comparable ungeared fund. The greater the level of gearing, the greater the potential for both significant capital gain and loss.

Benchmark 1: Gearing Ratio

The Responsible Entity is required to maintain and comply with a written policy that governs the level of gearing at an individual credit facility level.

The Fund meets the benchmark.

The Fund’s gearing policy is to maintain or reduce current gearing levels based on the existing assets within the Fund to ensure compliance with existing facilities. The Fund’s financial covenants with its debt financier includes an LVR covenant of 55% and the Fund comply with this ratio as at this reporting date.

INTEREST COVER

Disclosure Principle 2

Interest cover indicates the Fund’s ability to meet interest payments from earnings.

$$\textit{Interest cover} = \frac{\textit{EBITDA}^{1} - \textit{unrealised gains} + \textit{unrealised losses}}{\textit{Interest expense}}$$

Application of Disclosure Principle 2

FUND	INTEREST COVER
Stirling Enhanced Yield Fund	4.53

The interest cover ratio of the Fund is 4.53 X. This implies that the realised earnings before interest and taxes are 4.53 times greater than its interest expenses.

Interest cover is a key indicator of the financial health of the Fund. The lower the interest cover, the higher the risk that the Fund will not be able to meet its interest 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.

Benchmark 2: Interest cover policy

The Responsible Entity is required to maintain and comply with a written policy that governs the level of interest cover at an individual credit facility level.

The Fund meets the benchmark.

The Fund’s interest cover policy is to maintain or reduce current interest cover levels based on the existing assets within the Fund to ensure compliance with existing facilities. The Fund’s financial covenants with its debt financier includes an ICR covenant of 2 X and the Fund comply with this ratio as at this reporting date.

BORROWINGS

Disclosure Principle 3

This principle requires information on the Fund’s borrowing maturity and credit facility expiry and any associated risks. It is also important that investors are kept informed and updated with information they would reasonably require on breaches of loan covenants.

[1] EBITDA is defined as earnings before interest, tax, depreciation and amortisation. EBITDA in our calculation is based on the interim financial reports of the Fund fo0r the half year ended 31 December 2021.

The Fund's debt portfolio profile is summarised below. All amounts are in Australian dollars.

FACILITY	FACILITY LIMIT	AMOUNT DRAWN	MATURITY	HEDGING[2]
Facility 1	$25,500,000	$25,500,000	05/05/2026	50%%
Total debt	$25,500,000	$25,500,000		

The Constitution of the Fund allows the Responsible Entity to borrow on behalf of the Fund.

All debt facilities arranged for the Fund will limit the security of a financier to the assets of the Fund. Therefore, the financier will have no recourse against any investor personally or against other assets of any investor. No investor will be responsible to a financier for the obligations of any other investor.

Investors should be aware that the amount owing to the financier and other creditors of the Fund rank before an investor's interest in the Fund.

Benchmark 3: Interest capitalisation

The interest expense of the Fund is not capitalised.

The Fund meets the benchmark.

Capitalised interest is where the Fund is not paying interest, but the lender is accruing interest for payment at a later time.

PORTFOLIO DIVERSIFICATION

Disclosure Principle 4

This information addresses the Fund's investment practices and portfolio risk.

The Fund invests in 2 industrial assets in Mayfield West, Newcastle, NSW, comprising 19.1% of the Fund's property assets, with one large format retail property at MacGregor, Qld, comprising 80.9% of the Fund's property assets. The Fund owns the following assets:

ASSET	VALUATION	VALUATION DATE	VALUER
9 Channel Road, Mayfield West, NSW	$6.4 m	Feb 2021	Knight Frank
11 Channel Road, Mayfield West, NSW	$3.52 m	Feb 2021	Knight Frank
555 Kessels Road MacGregor, QLD	$42.15 m	May 2021	Knight Frank
Total	$52.07 m		

The Fund is not invested in property development.

[2] Portion of the amount drawn that has an interest rate cap at 2% per annum cap from November 2021 to November 2024, with the cap then increasing to 2.5% per annum for the period Nov 2024 to May 2026.

Benchmark 4: Valuation policy

***The Responsible Entity is required to maintain and comply with a written property valuation policy that requires*:**

- ***(a)*** ***a Valuer to:***
  - ***a. be registered or licensed in the relevant State, Territory or overseas jurisdiction in which the property is located, or otherwise be a member of an appropriate professional body in that jurisdiction; and***
  - ***b. be independent***
- ***(b)*** ***procedures to be followed for dealing with any conflict of interest;***
- ***(c)*** ***rotation and diversity of valuers;***
- ***(d)*** ***valuations to be obtained in accordance with a set timetable;***
- ***(e)*** ***for each property, an independent valuation to be obtained:***
  - ***a. before the property is purchased:***
  - ***b. for a development property, on an 'as is' and 'as if complete' basis; and***
  - ***c. for all other property, on an 'as is' basis; and***
  - ***d. 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."***

The Fund meets the benchmark.

The Responsible Entity maintains and complies with a written property valuation policy that can be provided on demand from the Responsible Entity.

RELATED PARTY TRANSACTIONS

Disclosure Principle 5: Related Party transactions - Investors need to be able to assess the Fund's approach to related party transactions.

Details of all related party transactions are reported annually as part of the Fund's audited annual accounts. The latest annual audited accounts of the Fund can be found on our website at www.stilingpropertyfunds.com.au

Benchmark 5: Related party transactions

***The Fund is required to maintain and comply with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest*.**

The Fund has a Related Party Policy and Procedures and meets this benchmark.

Key elements of this policy are as follows:

- The Fund adopts and requires an environment where senior management must always act in the interests of its investors in funds and in regard to related party transactions will act with those interests' paramount.
- The obligation to act in the best interests of investors means that the Fund is required to ensure that principal and agent transactions with a related party are conducted at arm's length and on commercial terms or better.

- The Fund will ensure that it keeps records showing what it has done in terms of this policy including maintaining a Related Party Register.

The board of the Responsible Entity may review transactions and prior approvals at any time and, if necessary, revoke its approval. All related party transactions must either be on arm's length commercial terms or approved by investors by ordinary resolution. The Company Secretary monitors all related party transactions to ensure that they are approved in the required manner.

Compliance with this policy is monitored by the Responsible Entity by review at the meetings of the compliance committee and the board of directors. A copy of the related party transactions policy is available for inspection by investors upon request. The Fund currently complies with the Related Party Policy and Procedures.

DISTRIBUTION PRACTICES

Disclosure Principle 6

This discloses whether distributions to investors have been made solely from realised income or from a combination of realised income and a return of capital funded by borrowings. Information on the Fund's distribution practices helps investors assess the sources of the distributions and be informed about the sustainability of distributions from sources other than realised income.

Benchmark 6: Distribution practices

The scheme is required to only pay distributions from its cash from operations (excluding borrowings) available for distribution.

The Fund does meet the benchmark.

We ensure that any material issues related to the Fund's distribution practices are notified to investors through ongoing disclosure, which includes disclosing the changes on our website at www.stirlingpropertyfunds.com.au

The Fund has paid quarterly distributions consistently since 30 September 2021. The distribution rate paid for the quarter ended 31 December 2021 was 1.80 cents per unit.

WITHDRAWAL ARRANGEMENTS

Disclosure Principle 7

Unlisted property trusts are illiquid investments. As such, investors in the Fund have no rights to withdraw their investment until the first Liquidity Event, being three and a half years from the date of the first Property acquisition by the Fund.

Investors may transfer units in the Fund in accordance with the Fund's Constitution.

FUND NET TANGIBLE ASSETS

Disclosure Principle 8

Responsible Entities of closed-end schemes should clearly disclose the value of the net tangible assets (‘**NTA**’) of the scheme on a per unit basis in pre-tax dollars using the following formula:

$$\text{NTA} = \frac{\text{Net assets-intangible assets+/-any other adjustments}}{\text{Number of units in the scheme on issue}}$$

The Fund NTA is \$0.874 per unit.