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Start of Transcript

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Home Consortium FY22 Half-Year Results Briefing conference call. All participants are in the listen-only mode. There will be a presentation, followed by a question and answer session. If you wish to ask a question, you need to press the star key, followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr David Di Pilla, Group Managing Director and CEO; please go ahead.

David Di Pilla: Good morning and thank you for joining today's call. Before we commence, Home Consortium would like to acknowledge the traditional custodians of country throughout Australia and celebrate the diverse culture and connections to land, sea and community. We pay our respects to their elders past, present and emerging and extend that respect to all Aboriginal and Torres Strait Islander people today.

My name's David Di Pilla and joining me on the call are Will McMicking, Group CFO; Sid Sharma, Group COO; Misha Mohl, Group Head of Strategy and Investor Relations. I am proud of the significant progress we have made in the half year ended 31 December 2021, which demonstrated our ability to originate and execute large-scale strategic transactions. We are now well on the path towards our ambition to become Australia's leading diversified alternative asset manager with scalable growth platforms across real estate and, in the future, private equity, infrastructure and credit.

Turning now to slide 4 to discuss the key highlights for the half. Our pre-tax FFO of $31.9 million was up 71% on the corresponding period. Our pre-tax FFO per security of $0.11 is up 51% on the prior corresponding period. Our balance sheet today is strong and at 31 December had a net cash position. Today, we have approximately $800 million of potential funding capacity, which William will discuss in greater detail. Importantly, the sell down of our remaining balance sheet assets over the next month to HDN and third-party buyers will complete our transition to a capital light fund manager.

Our external assets under management have increased to $5.2 billion. This represents significant growth of 232% since 30 June 2021 and 431% growth compared to 31 December 2020 balance date. We executed $3.5 billion of gross transactions in the half year, including the $2.3 billion acquisition of Aventus and the successful listing of HealthCo, our Healthcare & Wellness REIT. Our two ASX-listed REITs are now well positioned for continued growth, with strong balance sheets, large development pipelines and solid underlying growth fundamentals driven by powerful megatrends.

HDN is now Australia's leading Daily Needs REIT with $4.4 billion portfolio of strategic real estate infrastructure in the best metropolitan growth corridors of Australia. HealthCo is on track to almost double its PDS NOI over the medium term by investing in its accretive $0.5 billion development pipeline. On ESG, which is a key priority for the Group, in December we published our inaugural sustainability report, which outlines our key ESG objectives. It sets out six sustainability commitments towards creating healthy communities and driving long-term value creation across all the investments managed by the HMC Group.

Finally, I am excited today to share that in the next few weeks we will announce a rebranding and launch of our new website to reflect our future vision of the business. Going forward, HMC will be known as HMC Capital and HDN will assume the legacy HomeCo branding. More details will be released in the coming weeks.

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Turning to page 6, a transformational six-month period. We believe both the major transactions we executed during the period will create significant long-term shareholder value, starting firstly with HealthCo, which listed in September last year following a successful IPO roadshow and which was ultimately upsized from $500 million to a $650 million IPO. We see a huge growth opportunity ahead. HealthCo's uniquely positioned as the only ASX-listed REIT providing a diversified exposure to healthcare real estate in Australia.

HealthCo listed with a net cash position and a $555 million initial portfolio, which will grow to over $1 billion once its $0.5 billion development pipeline comes online. Like HDN, we believe HealthCo has the potential to meaningfully scale and take advantage of its large addressable market opportunity, which we estimate is over $200 billion. The acquisition of Aventus will transform HDN into Australia's leading Daily Needs REIT. HDN listed in November 2020 and is now a $4.4 billion REIT, which we believe is highly likely to go into the ASX 200 at the next rebalance date.

The acquisition of Aventus brings together two highly complementary portfolios to create strategic last-mile logistic networks. The value of this network and its importance to our retail partners will increase over time as the level of online fulfilment and penetration grows, a trend we are seeing accelerating around the world. HDN now has a $500 million development pipeline, including a number of large-scale opportunities which we will look to accelerate with the benefit of the larger HDN investment-grade balance sheet. As part of HMC's ongoing commitment and alignment with its managed funds, we yesterday announced a reduction to HDN's base management fee from 55 basis points to 50 basis points, once HDN's gross asset value exceeds $5 billion.

Turning to page 7, to further discuss our fund's management platform. Today, HMC manages two ASX-listed REITs with $5.2 billion of assets and over $1 billion of identified development opportunities. As a high conviction and long-term investor, we target sectors which are genuinely scalable and positioned to benefit from structural megatrends. The core objective of our REITs is to provide defensive income, which is highly predictable and growing in real terms. We protect the downside for our investors by maintaining a conservative balance sheet and building high-quality diversified model portfolios.

Both REITs have collected over 99% of their adjusted cash rent over the first half of financial year '22 and pleasingly this trend has continued in the current financial year. HMC retains meaningful co-investments across both HDN and HealthCo, demonstrating a strong alignment and conviction in these vehicles. The chart on the right-hand side of this slide on page 7 illustrates the key movements driving the significant growth in assets under management over the last six months.

On page 8, we provide a summary of the reduction in the HDN base management fee, which I discussed earlier. Moving to slide 9. As I outlined at the start of our presentation, our ambition is to be Australia's leading diversified alternative asset manager. This is a bold vision from a Company that only listed in October 2019. Our core competency and what sets us apart is our ability to originate and execute complex, large-scale transactions. Capital providers are increasingly looking for managers who can add value and generate returns in the absence of falling interest rates and macro tailwinds.

We have a proven track record of adding value through decisive leadership and active portfolio management. Over time, we will look to expand into other alternative sectors, including private equity, structured credit and infrastructure, where our team already has significant expertise and experience. We've exceeded our $5 billion FUM target 12 months ahead of schedule, which was year-end 2022, and we are on-track to maintain that momentum and have the necessary capital, the team and the opportunity universe to reach our $10 billion target well ahead of our 2024 year-end target. We will remain disciplined and we will only pursue acquisition opportunities that are strategic and scalable.

Moving now to slide 10, to touch on our strategic priorities. (1) We are focused on scaling our existing platform by originating high-quality investment opportunities and developing our own assets to generate better returns. (2) We will

continue to recruit elite talent to expand our investment capability and our ability to secure unique large-scale opportunities. (3) Increasing our sources of capital will give us greater optionality and flexibility to deploy funds. We are making good progress on a number of strategic partnership opportunities.

Given the scale of these opportunities, we expect to substantially grow our assets under management via large scale opportunities backed by capital partners. Finally, we expect the evolving macroeconomic environment will create opportunities for astute investors. We are well positioned with a strong capital position and we will look to release additional capital in the near term from our remaining directly-held property assets. The establishment of HMC Capital Partners Unlisted Fund Number 1 later this year will establish a new source of capital for the Group to deploy its unique investment opportunities.

Turning to slide 11. We're really pleased and excited to announce some key strategic highs to the Group that we've made that will further expand our elite management team and capability. These hires will support our next wave of exciting growth initiatives and increase the bandwidth of our existing team. I'll briefly touch on each of our key hires. Nick Harris joined us as Head of Funds Management in April and brings significant real estate funds management experience and investor relationships from his time at GPT and Lendlease.

Victoria Hardie also joins us as a Managing Director for HMC Capital partners. Victoria joins from UBS where she spent 14 years in both Sydney and New York in M&A and sector coverage roles, including real estate and infrastructure. Gavin Mullet will be a Managing Director for HMC Capital Partners. Gavin has significant experience in investment banking and funds management, with his most recent position being Head of Infrastructure Investments at Challenger Group.

Christian Soberg joined us in November last year as CFO of our HealthCo REIT. Christian has healthcare sector experience in both investment banking and corporate roles and is already doing a great job helping us originate investment opportunities. Finally, Rowan Griffin joined us in October to lead our focus on sustainability in ESG. Rowan was previously at Lendlease and has experience in sustainability, ESG and real estate funds management. We expect to make additional hires to further strengthen our ability to execute large-scale transactions and meaningfully grow our assets under management in the future.

Turning now to slide 12 to discuss our long-term funding and distribution strategy. As I mentioned earlier, diversifying our sources of capital is a key priority and will give us the greatest flexibility to invest at scale and generate appropriate fees for our efforts. Today, HMC has high quality and scalable retail and high-net worth investor base spanning over 25,000 individual investors. We've also made good progress increasing the level of institutional shareholders across our ASX-listed entities, including HMC.

Going forward, we see a significant opportunity to expand our capital sources, particularly as we look to establish unlisted funds and strategic partnerships. Our focus is to establish high-quality retail and institutional distribution capability to support our ambition to become Australia's leading alternative asset manager. We believe there is a genuine gap in the Australian market for a specialist alternative manager that can provide investors with exposure to portfolios of carefully constructed real assets and businesses with structural megatrends. The domestic super and non-super investment market alone represents a $6 trillion addressable market opportunity and is expected to grow significantly over the medium term.

Turning to page 13 to provide an update on HMC Capital Partners. We announced our intention to establish this strategy at our AGM in December last year. The strategy was premised on our expectation that 2022 would present a challenging investment environment caused by rising interest rates and inflation and, as a result, greater market volatility. The investment strategy for HMC Capital Partners is built around three core area: higher-conviction, strategic stakes in ASX-listed entities, private equity and structured credit.

The investment strategy is designed to provide maximum flexibility to invest across the capital structure and into our highest conviction ideas in the real asset space. The proposed fund will be unlisted and be available to both sophisticated and institutional investors, with a target raising of $1 billion and a $500 million first-close target. We expect to launch the fund shortly and are targeting the first close by the end of the financial year. Initial soundings been positive and we are already more than halfway towards our first close target before we launch.

HMC expects to make a meaningful sponsor investment to demonstrate alignment. The investment team will be led by Gavin Mullet and Victoria Hardie and supported by the team, which lead to leverage buyout and successful turnaround of the former Masters portfolio from Woolworths in 2017 and transformed HMC into an ASX-listed alternative asset manager. Importantly, the fund will provide HMC with another growth platform and source of capital to take advantage of increased market volatility and target unique, high-conviction investment opportunities.

Turning to pages 14 and 15 to discuss our and provide an update around our ESG strategy. I'm really proud of the progress we've made on the ESG front. HomeCo is contributing to reducing the effects of climate change by having a 2028 net zero target. We've commenced actively reducing carbon emissions and implementing a road map to achieve our target of net zero by 2028. This will be done through data management and our smart energy meters rollout strategy within HDN and rating our assets for energy and water performance through [our Neighbours] program.

Our sustainability commitments have been socialised within our workforce and education is being provided through sustainability work streams. We are progressing the establishment of a community foundation to facilitate our social impact work with partnerships to amplify results to the community. HomeCo is continuing to demonstrate its commitment to transparency and accountability to stakeholders and is preparing to submit its first GRESB submission for HDN later this year. In demonstrating an alignment of interest between management and stakeholders, sustainability KPIs have been set for our leadership teams. I'll now hand over to Will McMicking.

Will McMicking: Thanks, David, and turning now to slide 17 with the earnings summary. FFO for the first half of FY22 was $31.9 million or $0.11 per share on a pre-tax basis. This represents a 51% increases versus the first half of FY21. Key movements during the period included a $16 million increase in funds management revenue, which was driven by a full six months of HDN plus the IPO of - in September of HCW. This was offset by a reduction in investment income following the HDN in-specie transaction that completed in the first half of FY21.

A $13 million trading profit was also recognised in the first half following the establishment of HCW, where HMC's healthcare properties were sold into the IPO at independent valuations. An interim dividend of $0.06 has also been announced and will be 100% franked.

Moving now to the balance sheet on slide 19. The transition to a capital light balance sheet has continued during the period, with the composition of our tangible assets shifting from direct property to our co-investments in HDN, HCW and the Camden healthcare development. These are now equity accounted and total $462 million as at December. Investment properties comprise five remaining assets valued at $137 million at December and these recorded net valuation gains of 4% over the first half.

Turning now to slide 20 on capital management. Our funding capacity is well positioned to support future funds management activities with a net cash position of $144 million as at December '21. This is in addition to other on balance sheet funding sources, including the five remaining investment properties, which HMC is planning to realise via sales in the near term. HMC is also currently in discussions with its lenders to increase its existing bank debt facility from $275 million to $500 million, which will provide total funding capacity in excess of $750 million after allowing for the completion of the Aventus transaction in March. I'll now hand it back to you, David.

David Di Pilla: Thanks, William. Now turning to our guidance and outlook. Following a strong first half and continued momentum in the second half of financial year '22, we are pleased to provide the following guidance update. Our

pre-tax FFO of at least $0.29 per share will represent an 11.5% upgrade on our current guidance of $0.26 per share and 121% growth on financial year '21. Our financial year '22 DPS guidance of $0.12 is affirmed and represents a pre-tax payout ratio of 41%.

This is consistent with our strategy to reduce the payout ratio over time to provide additional funding capacity for growth initiatives. HMC will maintain a flexible approach with regard to future distributions and we continually assess our capital needs and potential growth opportunities. That's it from me. I'll hand it over to the operator now for some Q&A. Thank you for joining.

Operator: Thank you very much. We will now begin the question and answer session. If you wish to ask a question, please press star-one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star-two. If you're on a speaker phone, please pick up the handset to ask your question. The first question comes from Sholto Macanochie from Jefferies; please go ahead.

Sholto Macanochie: (Jefferies, Analyst) Hi, everyone, and great result. Just talking about the recent senior hires, obviously they're quite experienced, so what would the cost line sort of look like for the full year given you've just made those hires and what do you think it's going to be growing at going forward on the corporate line?

David Di Pilla: Sholto, I think that's been factored into our guidance in our outlook statements and we're more than confident that with the growth trajectory of the business, the EBITDA margin of our business will be enhanced moving forward, not reduced. So we're very confident that there won't be a material change in our cost structure. Obviously, it'll be more than offset by the growth in our funds under management.

Sholto Macanochie: (Jefferies, Analyst) So the hire is to ramp up the funds management. Do you see strong growth in the revenue line?

David Di Pilla: Yes, we do. We wouldn't be making the hires if we didn't…

Sholto Macanochie: (Jefferies, Analyst) Okay. Then…

David Di Pilla: …see that.

Sholto Macanochie: (Jefferies, Analyst) Just on the tax going forward, do we just assume the 30% of the corporate line basically of the active earnings?

David Di Pilla: Yes. So, Sholto, we've called out in the balance sheet that there's $12 million of tax - income tax losses as at December and that's now applicable across the entire group post the [destapling]. So, yes, you would expect that to cover taxable income for the next 12 months, so no cash tax.

Sholto Macanochie: (Jefferies, Analyst) No cash tax, okay. Just on the new Capital Partners Fund 1, can you talk about the fees obviously - I think you said you're halfway there to the $1 billion or in terms of indicative demand. So $500 million. Is that like a - when you draw - does that get drawn down or is it an uncalled equity number that you don't get fees on till you deploy it? Can you sort of talk about the fee structure as well? It's like a two and 20? I suspect it's probably more promote-driven, so more lumpy than an annuity style. Can you sort of talk through the structure and how it works?

David Di Pilla: I think what we've said this morning is we're targeting a first close in this financial year. The first close we're targeting is $500. So we're halfway towards the first close.

Sholto Macanochie: (Jefferies, Analyst) Okay.

David Di Pilla: The structure will be, again, HomeCo endeavours to be extremely aligned with its investor base, so the structure's probably not going to be a two and 20 structure. It's probably something slightly lower than that in terms of the base fee with the performance element attached, but we're - what we're seeing there is that's going to give us another major growth engine for the Group, but it's going to give us optionality across the fact that we're going to able to take advantage of market volatility and uncertainty. If we move into a rising inflationary and interest rate environment, that's going to be a fund that we're really going to look to deploy pretty actively. So we're going to look to call the capital, the $500 million, upfront, because we've got immediately addressable investment opportunities we believe.

Sholto Macanochie: (Jefferies, Analyst) So you'll get that callout upfront. Okay, [unclear]. That could buy listed, unlisted. It's a pretty broad mandate across real assets?

David Di Pilla: Yes, it's going to have an overarching theme always linked to real assets, so…

Sholto Macanochie: (Jefferies, Analyst) Okay.

David Di Pilla: …it will have a [inaudible], but we will sort of make sure that we stay true to our roots.

Sholto Macanochie: (Jefferies, Analyst) So not going off piste and doing anything different.

David Di Pilla: No.

Sholto Macanochie: (Jefferies, Analyst) Okay.

David Di Pilla: No, no.

Sholto Macanochie: (Jefferies, Analyst) All right. Then just on the HCW, obviously quite a [strong] development. Are you finding it difficult to deploy capital outside development, given the demand for established assets for the - especially in the medical and hospital space? Is it easier just to - is it slower to get that FUM by acquisition and you've just got to more develop the core? Is that the sort of thing you're finding at the moment?

David Di Pilla: Look, I think there's a few things that we nailed our colours to the mast around in this organisation. We remain disciplined, we remain focused and we remain very, very much in line with our investor base in all the decisions we make. Therefore, we pass - we probably look at 10 investment opportunities for HDN and HealthCo a month. We might pull the trigger on one out of every 10, maybe one out of every 20. We turn over a lot of rocks. We're going to continue to remain disciplined. What I would say to you is some of the core assets in the healthcare space have been incredibly tightly bid and so we're going to look to really deploy capital into institutional grade opportunities which we believe our development pipeline represents.

If opportunities come along, if they meet our hurdle rates, then we'll deploy, but we're not going to get sucked in to chasing assets at the bottom of the asset cycle. So our view is - and I talked about this as well. We always think that the institutional market and the actual real asset market in terms of the way forward bond yields are moving and interest rate outlook and so on, generally there's about a six-month ladies and gentlemen. So what we're starting to see now is a rising inflationary and interest rate environment.

We think that will start to translate into a bit of easing in terms of cap rates and opportunities will loosen up. So we're just going to pick our moment and we're going to remain really disciplined. But HealthCo's got an incredibly exciting opportunity of $0.5 billion of reinvestments. That Camden site alone will be a mega-site in years to come and people will be walking round saying, gee, where did this come from? How did they build this institutional opportunity? So - and we're getting a great return on it, so that should always be the first place to park our capital, rather than chasing M&A at the bottom of the cycle.

Sholto Macanochie: (Jefferies, Analyst) All right. Just finally on the dividend, does it - it seems that you'll keep the payout around 40%. I know [unclear] or do you keep it flat for a bit, given the growth? You've got a lot of liquidity, but you probably want to deploy them to higher [returning]. So do we assume sort of a flat dividend going forward or [unclear]?

David Di Pilla: I feel like I get asked this question at every result and I give the same answer. Success to us looks like holding six every half and the payout ratio going to 10%. We've got so many reinvestment opportunities within this Group and the best use of our marginal capital is to put it back into our business and into our assets and growing our funds under management. I think our shareholders will support us in doing that, provided we can continue to unlock accretive value - reinvestment opportunities.

Sholto Macanochie: (Jefferies, Analyst) All right. Thanks very much, David and the team.

Operator: Thank you. The next question comes from Andy McFarlane from Jarden Australia; please go ahead.

Andy McFarlane: (Jarden Australia, Analyst) Hi, guys. Look, just a follow-on question from Sholto there. Just in terms of the first closing, are you doing a blind pool raising at the moment or do you have line of sight on the assets you're targeting first close? Then as a follow on, just wondering what the timing might be around second close to get you to the $1 billion?

David Di Pilla: Look, I think what I'd say to you is, Andy, that we're in the very fortunate position of having a very strong balance sheet at HomeCo today. We have no debt. As Will mentioned, we're working on upsizing our credit lines. We're about to release the last remaining assets off the balance sheet, so that will result in $150 million, $160 million of cash being released from asset sales. So our financial position is strong. As a result of that, what we can do is potentially use that to obviously seed capital partners with existing assets at the right time.

So, importantly, we're not going to be slowed down by deploying the capital, waiting for the raise to complete. So we may deploy some of that balance sheet in advance of establishing the fund, so there could already be assets going in from day 1.

Andy McFarlane: (Jarden Australia, Analyst) Got it. That makes sense. Just the other one, just in terms of your more recent hires as well, I know you've talked to sticking to what you're true to and what you've done so far. But in terms of direct real estate, would you look at assets outside of the two groups you're in currently, ie, outside of Daily Needs and Healthcare?

David Di Pilla: We'll look at real assets as an asset class, but, again, remaining true to our conviction around wanting to maintain high quality portfolios that we believe in that are going to deliver sustainable long-term growth to our investor base. So we'll look at it at - other asset classes, but, again, we're not going to go chasing suboptimal opportunities. We're only really going to start to focus on high quality, high conviction ideas and strategies.

I think the one thing I'm really proud of and I look back and reflect a little bit on days like today and look at where we've come from and I just look at the quality of the asset base we've got and the 99% rent collection and I think back to the portfolio that we bought four years ago and the portfolio that we IPO'd two years ago and all I can say is that I'm incredibly proud of the team and the achievement in just continuing to improve the stable of assets that we manage. I think that's what we'll look at doing in the future.

Andy McFarlane: (Jarden Australia, Analyst) Got it. Thanks, David.

Operator: Thank you. The next question comes from Ben Brayshaw from Barrenjoey; please go ahead.

Ben Brayshaw: (Barrenjoey, Analyst) Yes. Thanks for the presentation, David, and good morning. I was wondering if you could talk about what opportunity you see in the self-managed super fund space and personal investments that sit outside the super fund system, just given the growth in asset prices over the course of the last couple of years and whether you have any, I suppose, specific thoughts on how you get access to that pool of capital?

David Di Pilla: Yes, it's a fantastic idea and we probably need to spend a day talking about it. We've been doing a lot of strategic work and a lot of strategic thinking around it. What we would say is that the Australian super fund industry is probably both a huge opportunity but something that's evolving quickly under our feet. So the super funds themselves are becoming larger and more sophisticated and looking for more direct investment opportunities. The feedback we're getting is pretty clear.

What they're really looking for is managers that can add value, that can bring something to the table that they can't originate themselves. Going to them and saying, here's a core office or here's a core shopping centre or here's a core industrial facility. Would you like to co-invest in that? Sure, if they can't get access to it, they might go in, but they're not going to pay much in the way of fees. What we've emphasised today and I think I might have mentioned it three, four, five times in the presentation is our X factor, our point of difference, is complex, large-scale transactions.

The feedback we're getting from those super funds is bring us those sorts of opportunities and the capital will be there for you. The second thing is the self-managed super fund sector is another area that we haven't really touched and that's just as big as the industry super fund money that's out there. So one of the other things that we are working on and looking to build capability around is going onto some of the platforms to take advantage of that, to just then diversify outside some of the listed markets that we - we think we've done a good job in accessing REITS in the listed space and REIT capital listed, but now we're looking to go into the unlisted sectors and we think there's a potential $6 billion prize there to - a $6 trillion, I should say, in terms of capital.

But I think we've got to demonstrate something different. We can't just be a lookalike to the other REIT managers out there. We've got to bring something unique to the table.

Ben Brayshaw: (Barrenjoey, Analyst) Yes. No, thanks, David, I appreciate your insights on that. Just flagging the potential for strategic stakes in listed entities, I mean, do you - I mean, are you progressed on discussions around possibilities on that front? Do you see that as likely to be friendly, amicable or is it something that may require a little bit more of a - I suppose, a proactive approach?

David Di Pilla: No. Like, what it's going to be is deep conviction, research based. It's going to be value focused. It's not going to be agitating an activism and so on. It's going to be more value based and deep researched, high conviction based.

Ben Brayshaw: (Barrenjoey, Analyst) Okay. Thanks, David.

Operator: Thank you. The next question comes from Richard Jones from JP Morgan; please go ahead.

Richard Jones: (JP Morgan, Analyst) Good morning, David. Just in relation to the Capital Partners Fund 1, so you're calling out $250 million [quality] of commitments. Is that all external or is that including the HomeCo commitment?

David Di Pilla: That will include a level of commitment from HomeCo. What it does do is it means that when we launch, we've already got some decent tail winds. So what we've been doing is speaking to some of our original foundation shareholders around giving them an opportunity to have a look at it early and the response has been very strong.

Richard Jones: (JP Morgan, Analyst) Okay, so should we be thinking [unclear] 20% commitment from HomeCo [unclear] is that kind of what we're…

David Di Pilla: I think longer term, yes, but just depending on as the opportunities present. What I did say earlier was we won't be afraid to deploy some capital in advance of raising the fund. So the fund will already be [set] with an investment opportunity.

Richard Jones: (JP Morgan, Analyst) Okay. External capital, is that more likely to be wholesale, retail or a combination?

David Di Pilla: Look, I think it'll be a combination. I think in terms of the fund itself, we expect to get a pretty strong response from higher net-worth investors and sophisticated retail. We think it's absolutely unique. It's not an opportunity set that they often get to access and the people we're bringing onboard are a very high pedigree to deploy. So we feel as though that's going to be unique. There'll be some level of institutional representation in that raising for Capital Partners. Then what we see is the institutions potentially will coinvest alongside that as well. So we'll have the ability to play quite large when we look at opportunities.

Richard Jones: (JP Morgan, Analyst) Okay. Just in terms of the guidance, does that include establishment fees on the Capital Partners Fund 1 in the second half?

Will McMicking: Yes, Richard, there's no meaningful impact from Capital Partners in the guidance.

Richard Jones: (JP Morgan, Analyst) Okay. Can you - Will, can you just work through some of the assumptions on what drives the much stronger second half that you're guiding to?

Will McMicking: Yes. I mean, probably the key sort of point there is we've brought forward some of the divestments of the remaining direct properties. The key message there is there's no cash tax, so it's genuine cash gain and it's just accelerating our capacity for funds management. So…

David Di Pilla: Richard, I think - without giving the game away just yet, because obviously they're not completed, but the market for real assets at the moment is - I'd describe it as pretty hot and so we've talked about - we talked about yesterday selling some assets off the balance sheet to HDN at a 5% discount. We've also got two other assets that are not going to go to HDN. They're going to go to third parties. We're expecting to realise some pretty significant gains on those assets and those sales.

So that, combined with the fees that come out of the Aventus transaction give us a very high level of visibility on our FFO and earnings for the full year. So that's why we've been in a position this morning to upgrade our numbers.

Richard Jones: (JP Morgan, Analyst) Okay. Excellent, so we'll get [unclear] the - what, exchanged, are they or are they - you know…

[Over speaking]

David Di Pilla: No, they're not exchanged yet, but they're well down the path. They're imminent. Imminent.

Richard Jones: (JP Morgan, Analyst) Yes.

David Di Pilla: The HDN assets were flagged yesterday, so we identified which assets are going across. You can then deduce from that that there's only, I think, two other assets left on the balance sheet and I think we'll be in a position to probably update the market or we'll be able to be - probably weeks away from being able to complete on those.

Richard Jones: (JP Morgan, Analyst) Excellent. Thanks, David. Thanks, Will.

Operator: Thank you. If you wish to ask a question, please press star-one on your telephone and wait for your name to be answered. The next question comes from Grant McCasker from UBS; please go ahead.

Grant McCasker: (UBS, Analyst) Good morning, David, and thanks for your comments this morning. A great result. Just - sorry to harp on the HMC Capital Partners 1 Fund again, but has the HMC balance sheet actually executed on opportunities since balance date?

David Di Pilla: No.

Grant McCasker: (UBS, Analyst) Okay. Great, thanks.

Operator: Thank you. Once again, if you wish to ask a question, please press star-one on your telephone and wait for your name to be announced. The next question comes from Ben Brayshaw from Barrenjoey; please go ahead.

Ben Brayshaw: (Barrenjoey, Analyst) Thanks for the follow-up question. Could I just clarify, David, the acquisition of the, I suppose, securities from BB retail, has that - I mean, does that take place post-balance date in terms of drawing down the consideration?

David Di Pilla: Will can answer that.

Will McMicking: Ben, it's Will. So that completed in Feb, so it was post-balance date and on the treasury slide we've, yes, outlined the cost of that, which was…

David Di Pilla: But I think I know the question you're asking, Ben. So the way to think about it is no debt drawn at 31 December balance sheet day in the accounts. Obviously, we drew up money to set all the options and the acquisition of the state from BBRC. The asset sales then more than offset that and bring us back to a net cash position.

Ben Brayshaw: (Barrenjoey, Analyst) Great, thanks. Appreciate it.

Operator: Thank you. There are no further questions at this time. I will hand back to Mr Di Pilla for closing remarks.

David Di Pilla: Just want to thank everyone for joining this morning. I know it's the end of reporting season and I know there's a lot of fatigue out there, so thanks for your interest and the questions from the analysts. I just want to thank our team for an incredible six-month period and the incredible hard work and the achievement and we're very excited for the future. Thank you for joining.

Operator: Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may now disconnect your lines.

End of Transcript