



# Accord Early Learning Fund

## September Quarter 2022

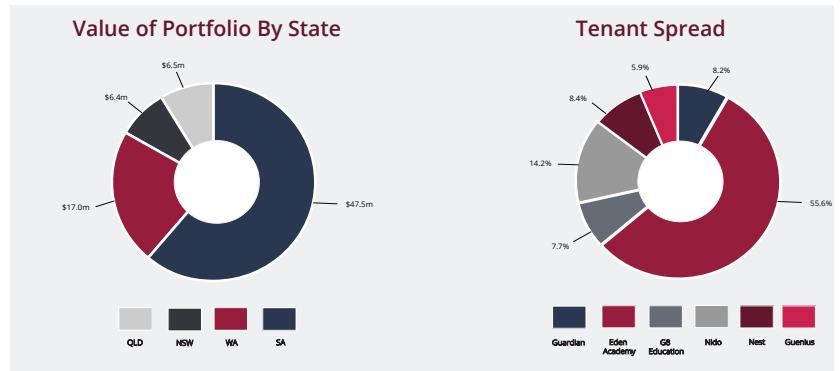
Fund	Accord Early Learning Fund
NTA	\$1.03 per unit
Number of Assets	3 Completed 10 in Development
Portfolio Value (completed)	\$18.8m
Weighted Avg Cap Rate	5.35%
WALE	18.1 yrs
Target FY23 Distribution Yield	6.0% p.a
Gearing	27.7%

### Portfolio Update:

Following on from the successful completion of the capital raise in August 2022, the remainder of the September quarter was one of consolidation and continued focus. With the broader economic backdrop showing signs of de-compression, particularly from increasingly dovish signals from central banks globally, the Fund diligently reviewed its transactions and future pipeline for appropriate fit and correlation. It is sensible that in a changing economic environment that key risk factors be re-considered and as a result, a small number of potential market opportunities were re-rated.

Increased cost of debt concerns and higher than forecast inflation have impacted listed equity markets and this is expected to continue in the short term. The change in global economic forecast has seen a re-rating of many asset classes by Institutional investors, and in doing so, has also highlighted the relative strength of exposure to unlisted and government supported activities. This thematic is further strengthened by asset classes such as Childcare which directly contributes to supporting the employment of Australian families and has a major impact on workplace productivity and GDP growth. These underlying factors highlight the Childcare Sector's resilience which are consistent with the Fund's value-oriented and ultimately defensive strategy of strong purchasing yields in its initial phase, sensible deployment of capital to undersupplied markets and leasing arrangements to qualified operators. Accordingly, the Fund undertook a revaluation of its completed assets as at 30 June 2022, which saw a valuation uplift of 3.0%, increasing the Fund's NTA to \$1.03 per unit.

Management continues to believe the sector will provide a sound investment horizon given its economic value to the economy including the bipartisan political support, and its long term, defensive characteristics. Value creation over the long term remains the focus and we are optimistic that the existing portfolio and the possibility of new opportunities, subject to the market conditions, will represent clear value for investors over the medium term.



### Sector Update:

The increase in the official cash rate during the quarter has continued the trend of higher funding costs, together with other inflation-led cost increases. There is an expectation that with increased development costs that many third party developers could struggle to maintain their viability and this is a point of focus for Management. Whilst not seeing any immediate or overt signs of stress on the Accord development side, there is some anecdotal evidence of a softening in expectations for other assets, albeit minor. The childcare sector's resilience is expected to come to the fore, relative to other asset classes and it is this defensive nature that we expect will see continued expansion in the marketplace.

The Childcare Sector continues to present compelling opportunities, and Accord remain bullish on the outlook for the sector. During the quarter, the NSW Government announced a \$15.9 billion<sup>1</sup> investment aimed at supporting the Childcare Sector – including the launch of a \$5 billion Childcare and Economic Opportunity Fund, which in conjunction with the recently announced changes in the Childcare Subsidy further underpins the earnings and outlook for the sector. The package aims to assist with closing the gender gap and increasing households incomes over the course of the next decade – through increased female participation and associated increases in productivity.

This announcement is similar to the recent Victorian Government announcement of a \$9 billion<sup>2</sup> investment to create amongst other initiatives, 50 new government operated Childcare centres. The increased investment by State Governments, over and above the existing \$10.8bn invested annually by the Federal Government further substantiates the importance of the sector to their respective economies.

Accordingly, we believe there are very sound indicators that place the sector and the Fund in a strong position to overcome short term pressures as opposed to competing sectors where demand can be discretionary.

<sup>1</sup><https://www.nsw.gov.au/media-releases/landmark-childcare-legislation-to-be-introduced-to-parliament>  
<sup>2</sup><https://www.premier.vic.gov.au/best-start-best-life-early-childhood-education-works>

### ABOUT ACCORD

Accord is a national property development and funds management company. We provide development and investment solutions across a range of sectors, including commercial, retail, childcare, healthcare and industrial. We focus on providing outstanding results for our investors and tenant partners, which has resulted in ongoing long-term relationships.

Accord Early Learning Fund ABN: 88 978 552 101

Adelaide	Melbourne	Brisbane	Perth
301/89 Pirie Street	15/627 Chapel St	Level 6, 200 Adelaide Street	19/22 Railway Road
ADELAIDE SA 5000	SOUTH YARRA VIC 3141	BRISBANE QLD 4000	SUBIACO WA 6000

**Funds Management Disclaimer:** Any information provided in this email is purely factual in nature and does not take into account your personal objectives, situation or needs. The information is objectively ascertainable and is not intended to imply any recommendation or opinion about a financial product. This does not constitute financial product advice under the Corporations Act 2001 (Cth). It is recommended that you obtain financial product advice before making any decision on a financial product.