

L5 Scenario 4A

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 0											
Month 1											
Month 2											
Month 3											
Month 4											
Month 5											
Month 6											
Month 7											
Month 8											
Month 9											
Month 10											
Month 11											
Month 12											
Month 13											
Month 14											
Month 15											
Month 16											
Month 17											
Month 18											
Month 19											
Month 20											
Month 21											
Month 22											
Month 23											
Month 24											
Month 25											
Month 26											
Month 27											
Month 28											
Month 29											
Month 30											
Month 31											
Month 32											
Month 33											
Month 34											
Month 35											
Month 36											
Month 37											

Commercial in Confidence

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 38											
Month 39											
Month 40											
Month 41											

Source: Ethos Urban

L.6 Scenario 4B

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 0											
Month 1											
Month 2											
Month 3											
Month 4											
Month 5											
Month 6											
Month 7											
Month 8											
Month 9											
Month 10											
Month 11											
Month 12											
Month 13											
Month 14											
Month 15											
Month 16											
Month 17											
Month 18											
Month 19											
Month 20											
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Month 23											
Month 24											
Month 25											
Month 26											
Month 27											
Month 28											
Month 29											
Month 30											
Month 31											
Month 32											
Month 33											
Month 34											
Month 35											
Month 36											
Month 37											

Commercial in Confidence

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 38											
Month 39											
Month 40											
Month 41											

Source: Ethos Urban

L7 Scenario 5

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 0											
Month 1											
Month 2											
Month 3											
Month 4											
Month 5											
Month 6											
Month 7											
Month 8											
Month 9											
Month 10											
Month 11											
Month 12											
Month 13											
Month 14											
Month 15											
Month 16											
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Month 25											
Month 26											
Month 27											
Month 28											
Month 29											
Month 30											
Month 31											
Month 32											
Month 33											
Month 34											
Month 35											
Month 36											
Month 37											

Commercial in Confidence

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 38											
Month 39											
Month 40											
Month 41											
Month 42											
Month 43											
Month 44											
Month 45											
Month 46											
Month 47											

Source: Ethos Urban

L.8 Scenario 6

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 0											
Month 1											
Month 2											
Month 3											
Month 4											
Month 5											
Month 6											
Month 7											
Month 8											
Month 9											
Month 10											
Month 11											
Month 12											
Month 13											
Month 14											
Month 15											
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Month 26											
Month 27											
Month 28											
Month 29											
Month 30											
Month 31											
Month 32											
Month 33											
Month 34											
Month 35											
Month 36											
Month 37											

Commercial in Confidence

Month	Construction Costs	Government Fees	Land Holding Costs	Land Acquisition Costs	Other Costs	All Costs	Income	Real Growth Adjusted NCF	Interest	Real Net Income after Interest	Cumulative balance
Month 38											
Month 39											
Month 40											
Month 41											
Month 42											
Month 43											
Month 44											
Month 45											
Month 46											
Month 47											

Source: Ethos Urban

Appendix M High Level Capex Report, InterContinental Rialto Hotel

10 year Capital Expenditure and Maintenance Forecast

InterContinental, The Rialto, 495 Collins Street, Melbourne 3000



Capital Expenditure Forecast

The following priority grades are recommended in the context of a ten year planning period:

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FORECAST COSTS (\$) excl GST

ITEM NO	LOCATION/ELEMENT	DESCRIPTION & CONDITION	REMEDIAL WORKS REQUIRED	CAP/ R&M/Etc.	PRIORITY	Replacement Date & Cost			TOTAL BUDGET	OPT Optional Costs (OPT)
						Immediate (ASAP)	Short (Years 1-2)	Medium (Years 3-5)		
1 Building Structure & Fabric										
1.1 Structure										
1.1.1	Generally	The super structure was in satisfactory condition commensurate with age and use, with no major defects noted.								
1.1.2	Steel surface corrosion	Following, now remediated, roof leaks to an area above the lift plant room to the north, 'I-Section' steel beams have surface corroded.	An allowance should be made to prepare and redecorate the beams in order to prevent further deterioration.	R&M						
1.1.3	Cracking	The stairwell leading down to the staff lunchroom in the lower ground area to the north is exhibiting cracking to the wall structures. The cracking varies between vertical, horizontal and diagonal shear cracks as well as crazing to the plaster/decorations.	Formal monitoring should be undertaken over the coming 12 months in order to determine the nature of the movement, (allowance is for monitoring in the short term with a nominal allowance in the medium term for some rectification works if required).	R&M						
1.2 External Elevation										
1.2.1	Facade	Isolated hairline cracking was noted to the rendered elements. Although not of major concern we recommend a facade inspection be undertaken across all facades to identify any issues.	Undertake a facade inspection every two years. This cost will include an inspection of the roof elements.	R&M						
1.2.2	Facade		Allow for repairs throughout the reporting period to the cracking areas as required.	R&M						
1.2.3	Facade	A severe leak is apparent to the Rialto facade manifesting in damage to the internal finishes within the Club Lounge area and external balcony areas. The leaks are in the immediate vicinity of stormwater drainage details such as the heritage downpipes within the ornate facade.	Further investigation immediately and remediation in the short term is recommended.	R&M						
1.2.4	Facades	A recurring issue is apparent to the brickwork parapets at roof level whereby the metal sheet capping has lifted at the corners and the soldier course brickwork has deteriorated. The corner brick in some instances is either loose or has already fallen out (one was observed in the glazed atrium gutting some 7m below). This is of major concern where the facades about Flinders Lane but also above the glazed atrium. Immediate rectification should be implemented in order that falling objects do not cause harm to anyone.	Immediate rectification should be implemented in order that falling objects do not cause harm to anyone. It is also important that a physical 'hands-on' facade inspection be carried out to the facades to ensure that any loose elements are either removed or secured to prevent falling objects harming anyone.	R&M						

10 year Capital Expenditure and Maintenance Forecast

InterContinental, The Rialto, 495 Collins Street, Melbourne 3000



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FORECAST COSTS (\$) excl GST

ITEM NO	LOCATION/ELEMENT	DESCRIPTION & CONDITION	REMEDIAL WORKS REQUIRED	CAP/R&M/Etc.	PRIORITY	Replacement Date & Cost				TOTAL BUDGET	OPT Optional Costs (OPT)
						Immediate (ASAP)	Short (Years 1-2)	Medium (Years 3-5)	Long (Years 6-10)		
1.25	Facades	The heritage facades are showing signs of loose objects. The brazed metal feature finials/strals are shedding their details, and a slate was observed in a gutter having fallen.	It is important that a physical 'hands-on' facade inspection be carried out to the heritage facades to ensure that any loose elements are either removed or secured to prevent falling objects harming anyone. Allow for local repairs in the short term and ongoing maintenance of the facades throughout the reporting period.	R&M							
1.26	Aluminium Composite Cladding (ACP)	Metal sheet wall panels are installed externally to the roof top gym/swimming pool which could potentially be Aluminium Composite Panels. We recommend they be assessed for compliance and replaced if deemed necessary.	A cost of \$10k allocated for testing of the panels and a further budget of \$100,000 should they require replacing.	CAP							
1.27	Windows	The timber window frames to the Collins Street, Flinders Lane and Rialto West facades are showing signs of rot and deterioration. The internal secondary glazing prevented a more detailed inspection. It was reported that a long term plan for window replacement needs to be implemented at the property and therefore has been allowed for in the report..	Allow for long term replacement during the medium and long terms.	CAP							
1.28	Windows	One of the ventilation louvre windows in the pool area had cracks in the glazing. This should be replaced in the short term.	This should be replaced in the short term.	R&M							
1.29	Balustrades	The two floors of the hotel above the Winfield building have balconies to the full length of the hotel above the atrium glazed roof area, facing east. The balustrades to these balconies are corroding heavily at the base (along with the parapet capping at the atrium roof level) and will require replacement or significant repairs in the short to medium term to prevent failure and ultimately, potential safety concerns of falling. The corrosion at the bases has in some instances displaced the stone lipping/caps to the balcony edges. When replacements are undertaken this detail should also be repaired.	Allow for replacement of the balustrades in the short term. Cost increased to cover allowance to repair/replace stone lipping/caps to balcony edges	CAP							
1.2.10	Doors	The louvre doors and timber doors to the roof plant areas will require replacement in the medium to long term.	Allow for replacements.	CAP							
1.3	Roofs										
1.3.1	Coverings to main roof	The corrugated metal roof sheets and associated cappings to both the Winfield Building and the Rialto building exhibit isolated spots of corrosion.	It is recommended that the surface corrosion is removed during the short to medium term, with isolated sections of roof sheets requiring replacement during the long term.	R&M							

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FORECAST COSTS (\$) excl GST

ITEM NO	LOCATION/ELEMENT	DESCRIPTION & CONDITION	REMEDIAL WORKS REQUIRED	CAP/R&M/Etc.	PRIORITY	Replacement Date & Cost				TOTAL BUDGET	OPT Optional Costs (OPT)	
						Immediate (ASAP)	Short (Years 1-2)	Medium (Years 3-5)	Long (Years 6-10)			
1.3.1	Coverings to main roof	The corrugated metal roof sheets and associated cappings to both the Winfield Building and the Rialto building exhibit isolated spots of corrosion.	Allow for long term replacement of the roofs as required based on age and condition.	CAP								
1.3.2	Upper Roof Areas	Historic repairs are evident and water leaks are reported to the concrete paved roof deck above the swimming pool, indicating defective membrane below. The concrete tiles have also become loose.	We recommend the roofs be sealed (as per the north plant room roof) in order to prolong their life and mitigate against leaks.	CAP								
1.3.2	Upper Roof Areas	Historic repairs are evident and water leaks are reported to the concrete paved roof deck above the swimming pool, indicating defective membrane below. The concrete tiles have also become loose.	Allow for long term overhaul of the roof areas including replacement of membrane to both roofs as required.	CAP								
1.3.3	Glazed roof	The glazed roof to the pool area is leaking in several areas and requires repairs to gaskets as well as refinishing to the surface corroded metal structures.	Allow for significant overhaul repairs and maintenance.	R&M								
1.3.4	Attium	It was reported that on occasion leaks occur to the main glazed attium, however access to investigate and repair is not possible as the internal gantry is no longer in service.	We recommend the gantry be recommissioned and the attium glazing inspected for leaks with repairs undertaken as required. A budget cost of \$46k for the gantry recommissioning in the short term. Based on condition we have allowed for long term major overhaul as required.	CAP								
1.4	Internal Areas – Front of House											
1.4.1	No capital expenditure identified. See Section 2 - REFURB tab for items.											
1.5	Internal Areas – Hotel Rooms/Conference Facilities											
1.5.1	No capital expenditure identified. See Section 2 - REFURB tab for items.											
1.6	Internal Areas – Back of House											
1.6.1	Finders Lane Level	The Finders Lane level is scheduled to be redeveloped in the short term. This will affect the existing offices, commercial, finance and staff canteen and as such no further works are anticipated during the reporting period for these areas.	No further works are anticipated during the reporting period.									
1.6.2	Basement Wall	Moisture damage has occurred at low level to perimeter block wall at basement level. This is not of major concern however we recommend the source of the leak be identified and rectified. Following which the wall should be repaired as necessary.	Allow to investigate water ingress in the immediate term and based on previous experience likely repair works will be to create negative pressure membrane and increase ventilation. Costs include for engineering and rectification works.	CAP								

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FORECAST COSTS (\$) excl GST

ITEM NO	LOCATION/ELEMENT	DESCRIPTION & CONDITION	REMEDIAL WORKS REQUIRED	CAP/R&M/etc.	PRIORITY	Replacement Date & Cost				TOTAL BUDGET	OPT Optional Costs (OPT)
						Immediate (ASAP)	Short (Years 1-2)	Medium (Years 3-5)	Long (Years 6-10)		
1.6.3	Kitchens	The hotel kitchens were last refurbished in 2008 and the finishes appear in a well maintained condition.	A programmed upgrade will be required during the medium to long terms. (Capex excluded as will sit on owners side refurbishment plan).	CAP							
1.7	Sanitary/Facilities										
1.7.1	Toilets (2008)	The majority of the toilet facilities were last refurbished in 2008 and the finishes appear in a well maintained condition.	A programmed upgrade will be required during the medium to long terms. Include to undertake a cosmetic refurbishment. No reconfiguration works. Assume works will not trigger a building permit and require statutory upgrades. (Capex excluded as will sit on owners side refurbishment plan).	CAP							
1.7.2	Toilets (Older Back of House Staff Toilets (Finders Lane Toilets)	Some male and female staff toilets (Finders Lane level) are much older and would benefit from refurbishment in the medium term.	This is discretionary as newer facilities are located adjacent. (Capex excluded as will sit on owners side refurbishment plan).	CAP							
1.8	Plant Rooms and Fire Escapes										
1.8.1	Stairwells	The stairwells were last refurbished in 2008 (some of them). Although the finishes appear to be well maintained a programmed upgrade will be required during the long term, if required (discretionary item).	Allow for some discretionary redecorations.	CAP							
2	External Areas & Car Park										
2.1	Generally	There are no external areas are car parking.	No works allowed for.								
3	Services Generally										
3.1	Mechanical										
3.1.1	Air Handling Units and fan coil units	Original plant which is now over 30 years old.	Allow for major overhaul to motors & fan bearings. The approach is to leave the AHU casements in place and overhaul internal coils, motors etc.	CAP							
3.1.2	Fan coil units serving hotel rooms	Original plant which is now over 30 years old and at its end of life span	Allow to replace all FCUs within the hotel. Works include builders works associated with the ceilings and making good. Staged works in medium to long term.	CAP							
3.1.3	Ventilation fans	The majority of the units are of original installation.	Allow for Life cycle replacement in medium and long terms.	CAP							
3.1.4	Chillers and Cooling tower	The Chillers and Cooling tower is currently in good condition however as it nears its end of life, increased maintenance cost and replacement should be considered.	Allow for Life cycle replacement of the chillers and cooling towers.	CAP							
3.1.5	Main boilers	The main boiler is currently operating beyond its expected operational life.	Allow for Life cycle replacement in medium and long terms.	CAP							

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						Immediate (ASAP)	Short (Years 1-2)	Medium (Years 3-5)	Long (Years 6-10)		
3.1.6	Pool AHU	The roof mounted air handling unit serving the Pool/ Gymnasium is in poor condition.	Allow to replace during the short term.	CAP							
3.1.7	Roof mounted pipework and ductwork	The roof mounted pipework and ductwork around the cooling tower plant area exhibits minor corrosion and impact damaged thermal insulation.	Allow to rectify & make good.	R&M							
3.1.8	Pool Spa Boiler	The boiler serving the Spa flue is damaged and repairs are required.	Allow for flue replacement immediately and Life cycle replacement of boiler in the medium term. Allow for flue replacement immediately and Life cycle replacement of boiler in the medium term.	R&M R&M							
3.2	Electrical										
3.2.1	Distribution boards	There was no evidence of thermocan testing.	Carry out testing.	R&M							
3.2.2	Distribution boards	Distribution board have life expectancy of 20 years and therefore a number of these boards will require to be replaced or upgraded to include RCDs as per Code requirement.	Allow for replacement of 20 DB boards in the short to medium term as required.	CAP							
3.2.3	BOH Lighting	Replacement recommended for LED lighting to be installed in Admin and Back of House areas is recommended.	Medium term replacement recommended for LED lighting to be installed in Admin and Back of House areas is recommended.	CAP							
3.2.5	Guest Room Door Security System	System failure occurring.	Replacement.	CAP							
3.2.6	CCTV	Existing guest room levels corridors do not have CCTV coverage.	Increase CCTV in corridors to guest room floors.	CAP							

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FORECAST COSTS (\$) excl GST

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						Immediate (ASAP)	Short (Years 1-2)	Medium (Years 3-5)	Long (Years 6-10)		
3.2.7	Generator	The generator is currently operating beyond its expected operational life. Parts replacement are scarce and increasingly more expensive	Allow for life cycle replacement in medium and long terms.	CAP							
3.2.8	Main Switchboard	Main Switchboard is approximately 36 years old and spares for CFS switches are no longer available.	Replacement of Main Switchboard during the medium to long term. Cost includes out of hours work, shutdown, builders works etc.	CAP							
3.3	Fire										
3.3.1	Fire Sprinkler System	The 25 yearly test was carried out approx. 13 years ago. Future testing of sprinkler system shall include 10 year testing of sprinkler system.	Carry out testing.	R&M							
3.3.1	Fire Sprinkler System	The 25 yearly test was carried out approx. 13 years ago. Future testing of sprinkler system shall include 10 year testing of sprinkler system.	Subject to test budget for sectional replacement of any failed pipes or sprinkler heads. Note this is a budget and may not be required if not deterioration is noted of failures to the system.	R&M							
3.3.2	Fire Hydrant	A Six Yearly test report for the fire hydrant system was not available for review. If not available, testing should be carried out to comply with Code requirements.	Carry out testing.	R&M							
3.3.2	Fire Hydrant	A Six Yearly test report for the fire hydrant system was not available for review. If not available, testing should be carried out to comply with Code requirements.	Subject to test budget for sectional replacement of any failed pipes. Note this is a budget and may not be required if not deterioration is noted of failures to the system.	R&M							
3.3.3	Fire Hose Reel	Damaged fire hose reel adjacent to level 7 plant room identified.	Investigate all fire hose reel system for damaged reels and allow for replacement. Include a budget replacement cost in short term.	R&M							
3.4	Hydraulics										
3.4.1	Cold water booster pumps	Units are of original installation.	Allow for life cycle replacement in medium term.	CAP							
3.4.2	Cold water storage tanks	Allow for an inspection of the internal domestic cold water storage tanks to confirm condition and structural integrity.	Carry out audit.	R&M							
3.4.2	Cold water storage tanks	Allow for an inspection of the internal domestic cold water storage tanks to confirm condition and structural integrity.	Subject to test budget for overhaul/replace the tanks of any failed storage tanks. Note this is a budget and may not be required if not deterioration is noted of failures to the system.	R&M							
3.4.3	Cold Water System	Ensure annual tests are conducted to all RPZDs.	Carry out testing.	R&M							
3.4.3	Cold Water System	Provisional replacement allowance	Budget allowance for failed temperature control devices (RPZDs) - allow for 10% failure in short, medium and remaining replacement in long term based on life cycle.	CAP							

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FORECAST COSTS (\$) excl GST

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						Immediate (ASAP)	Short (Years 1-2)	Medium (Years 3-5)	Long (Years 6-10)			
3.4.4	Grease Trap Review	Its understood the grease trap is under sized and has ongoing R&M issues.	Allow to replace with larger tank or instal secondary grease trap to accommodate under size issue. Include for all builders works as required including removal of existing tank as required. Cost is based on replacement.	CAP								
3.4.5	HW Calorifier	Provide pressure testing to Calorifier tanks.	Check for integrity of tanks.	R&M								
3.4.6	HW Calorifier Controls for Space Heating	Control valves to be installed to regulate hot water flow during warmer weather season.	Control valves and piping.	R&M								
3.5 Vertical Transportation												
3.5.1	Passenger Lift 1-3	Original working condition with upgraded lift interiors, car operating panels & indicators and some OHS upgrades.	Allow for major upgrades due to end of life cycle.	CAP								
3.5.2	Passenger/Service Lift 4	Original working condition with upgraded lift interiors, car operating panels & indicators and some OHS upgrades.	Allow for major upgrades due to end of life cycle.	CAP								
3.5.3	Passenger Lift 5-6	Original working condition with upgraded lift interiors, car operating panels & indicators and some OHS upgrades.	Allow for major upgrades due to end of life cycle.	CAP								
3.5.4	All passenger lifts	The current lifts do not have any security provision i.e. public can access all levels. Therefore these should be installed as a priority.	Install security system to lifts as required. Works will require new cables through the lift shafts along with card readers and CCTV. In the event works are done at the same time as lift upgrade works savings on cables will be applicable (circa 10-15% per lift).	CAP								
3.5.5	Passenger/Service Lift 7	OHS MRL lift in good working condition	Nil.	CAP								
Totals												
Total capex											CAP	
Total repairs and maintenance											R&M	
Priority												
Priority 1 - Urgent												
Priority 2 - Essential												
Priority 3 - Desirable												
Priority 4 - Long Term												

Appendix N Renovation of InterContinental Melbourne, The Rialto (Horwath HTL)



21 July 2023

Kate Harper
Asset Manager - Hotels
Salter Brothers
Level 9, 477 Collins Street
Melbourne, VIC 3000
By email: kate.harper@salterbrothers.com.au

Re: Renovation of InterContinental Melbourne, The Rialto

Dear Ms Harper

Following on from our initial discussion on options and possibilities for the renovation of the InterContinental Melbourne, The Rialto (the Hotel), located at 495 Collins Street, Melbourne, I would like to make the following summary points:

- As you know, over the last 3 years there has been significant new supply enter the Melbourne hotel market which has placed additional pressure on the market in its recovery from the Covid-19 pandemic. While this supply has been spread across multiple positioning classifications, there has been considerable new additions to the Upper Upscale and Luxury markets in Melbourne with the opening of hotels such as W Melbourne (294 rooms), Hilton Melbourne Little Queen Street (244 rooms), Le Meridien Melbourne (235 rooms), Melbourne Marriott Hotel Docklands (189 rooms), and The Ritz-Carlton Melbourne (257 rooms). This places additional competitive pressure on older properties such as the Hotel and places additional emphasis on the requirements for renovation to remain competitive.

- A refurbishment would also ideally seek to improve on the operational efficiency of the Hotel in a current high-cost operating environment.

- Conversion to a lower positioning level (4 star) is unlikely to be viable given the lower room rates that the Melbourne 4-star hotel market trades at (there is a \$60 to \$80 variance between 4 and 5-star average rates). Essentially Salter Brothers would be investing money to re-position the Hotel at a lower level, which would generate lower returns which is simply not economically viable or logical.
- With the recovery of the Melbourne hotel market underway and given the timeframe of any significant renovation/redevelopment opportunity, Horwath HTL consider the opportunity to redevelop the asset and bring to market a new luxury hotel brand to be the most likely investment strategy. There is no other hotel like this in the CBD and it would provide a unique chance to restore two iconic heritage buildings and make them accessible for the Melbourne community as well as interstate and international visitors.

We look forward to continuing to work together with Salter Brothers in assessing your reinvestment opportunities.

Yours sincerely

Damien Little