

Centuria

24 May 2019

Dear Securityholder,

I am pleased to invite you to a general meeting of securityholders (**Meeting**) of the Centuria Capital Group (ASX: CNI) which is to be held:

Date: 24 June 2019
Time: 10.00 am (Sydney time)
Location: Level 41, 2 Chifley Square, Sydney

Registration will commence at 9:45am. To assist with registration formalities, please bring the enclosed proxy form with you to the Meeting.

The following documents are enclosed with this letter:

- the Notice of Meeting including:
 - Items of Business;
 - Voting Instructions;
 - Important Notes; and
 - the Explanatory Memorandum; and
- a Proxy Form.

Reasons for the Meeting

Centuria Capital Group is a listed stapled entity comprised of Centuria Capital Limited ACN 095 454 336 (**Company**) and Centuria Funds Management Limited ACN 607 153 588 (**CFML**) as responsible entity of the Centuria Capital Fund ARSN 613 856 358 (**Fund**). Each ordinary share in the Company is stapled to an ordinary unit in the Fund.

The Meeting has been convened to seek Securityholder approval for three resolutions to:

- amend the constitution of the Company to facilitate capital reallocations between the Company and the Fund;
- amend the constitution of the Fund to facilitate capital reallocations between the Fund and the Company; and
- undertake the current proposed capital reallocation (**Capital Reallocation Proposal**) discussed in the Explanatory Memorandum that forms part of the Notice of Meeting.

Centuria Capital Group

Consisting of:
Centuria Capital Limited ABN 22 095 454 336
and Centuria Capital Fund ARSN 613 856 358

Level 12
225 George Street
Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

P: 1800 182 257 or 02 9290 9689
F: 02 9279 0664
CNI.Enquiry@CenturiaInvestor.com.au
centuria.com.au

If the Capital Reallocation Proposal is approved:

- the Company will pay a \$30 million fully franked dividend to Shareholders (**Special Dividend**), which is equivalent to \$0.078215 per Share; and
- the Special Dividend will be automatically reinvested into the Fund, on behalf of Securityholders, as a capital contribution.

The Capital Reallocation Proposal will not affect CNI's distribution guidance of \$0.0925 per stapled security for the current financial year ending 30 June 2019.

Rationale and key benefits

The rationale and key benefits of the Capital Reallocation Proposal are described more fully in the Explanatory Memorandum and include that:

- A reallocation of capital from the Company to the Fund and the rebalancing of the NTA split to 80/20 in favour of the Fund would ensure the injection of equity upon any future capital raisings by the Centuria Capital Group would primarily be received by the Fund.
- The injection of further equity capital into the Fund will support the Fund's strategic objective of increasing recurring revenue streams, which is achieved via rental income provided by the holding of co-investment stakes in listed and unlisted Centuria property funds.
- Securityholders will receive franking credits of approximately \$0.033521 per Share attached to the Special Dividend.
- Securityholders will receive an increase of \$0.078215 cents per Unit in the cost base of their Units.

Notwithstanding those key benefits, you might consider voting against the Capital Reallocation Proposal as:

- Following the Capital Reallocation Proposal, the Company (viewed separately) would have less cash with which to pursue investments. However, on completion of the Capital Reallocation Proposal, there will be no change in the total funds available for the Centuria Capital Group to pursue its investments, so in the Directors' opinion, this is not a significant consideration.
- The Special Dividend will be assessable income for most Securityholders even though it is being reinvested in the Fund and will not be paid to Securityholders. Securityholders with a marginal tax rate of more than 30% may have a tax liability associated with the Special Dividend as their liability to tax on the Special Dividend may be greater than the franking credit amount. If you are in doubt about whether you need to pay any tax on the Special Dividend or on the tax treatment of your investment arising from the Capital Reallocation Proposal, we recommend that you seek advice from your own taxation adviser.

Please read the Explanatory Memorandum carefully.

The purpose of the Explanatory Memorandum is to enable you to consider whether the Capital Reallocation Proposal should proceed.

It contains important information and should be read prior to voting on the Capital Reallocation Proposal at the Meeting.

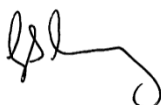
Your Centuria Directors unanimously recommend that you vote in favour of the three resolutions to be considered at the Meeting and that you support the Capital Reallocation Proposal.

The Explanatory Memorandum also sets out the advantages and disadvantages of the Capital Reallocation Proposal to assist you in your decision regarding the proposal.

The notice of general meeting will also be made available on the ASX market announcements platform.

I look forward to seeing you at the Meeting.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'G. Charny', with a stylized flourish at the end.

**Garry Charny
Chairman**

CENTURIA CAPITAL GROUP

NOTICE OF MEETING OF SECURITYHOLDERS

Centuria Capital Group is a listed stapled entity comprised of Centuria Capital Limited ACN 095 454 336 (**Company**) and Centuria Funds Management Limited ACN 607 153 588 (**CFML**) as responsible entity of the Centuria Capital Fund ARSN 613 856 358 (**Fund**). Each ordinary share in the Company is stapled to an ordinary unit in the Fund (**Stapled Security**).

Notice is given that a meeting of shareholders of the Company and a meeting of unitholders of the Fund (together, the **Meeting**), will be held concurrently at Level 41, 2 Chifley Square, Sydney, on Monday, 24 June 2019 at 10:00 am (Sydney time).

This Notice of Meeting is issued by the Company and by CFML in its capacity as responsible entity of the Fund (together, the **Centuria Capital Group** or **Group**).

Terms and abbreviations are defined in the Glossary at the end of this Notice of Meeting and the Explanatory Memorandum.

For further information please refer to the Explanatory Memorandum that accompanies and forms part of this Notice of Meeting.

ITEMS OF BUSINESS

Resolution 1. Amendment to constitution of the Company to enable capital reallocations (special resolution of the Company's Shareholders)

To consider, and if thought fit, to pass the following resolution as a special resolution of the Company:

"That the constitution of Centuria Capital Limited be amended with effect on and from the close of this meeting in the manner described in the Explanatory Memorandum to facilitate reallocations of capital between Centuria Capital Limited and the Centuria Capital Fund."

Resolution 2. Amendment to constitution of the Fund to enable capital reallocations (special resolution of the Fund's Unitholders)

To consider and, if thought fit, pass the following as a special resolution of the Fund:

"That the constitution of Centuria Capital Fund be amended to facilitate reallocations of capital between Centuria Capital Limited and the Centuria Capital Fund in accordance with the provisions of the Supplemental Deed in the form tabled at this meeting and initialled by the Chairman of the meeting for the purpose of identification, and that Centuria Funds Management Limited as responsible entity of the Fund is authorised to execute the Supplemental Deed and lodge it with the Australian Securities and Investments Commission to give effect to those amendments to the constitution of the Centuria Capital Fund."

Centuria Capital Group

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Resolution 3.

Capital Reallocation Proposal (resolution of the Group)

To consider and, if thought fit, pass the following as an ordinary resolution of the Group:

"That, subject to Resolution 1 and Resolution 2 each being passed, the Capital Reallocation Proposal as described in the Explanatory Memorandum be approved for all purposes."

The Directors unanimously recommend that Securityholders vote in favour of all three resolutions set out above (**Capital Reallocation Resolutions**).

Information concerning the Capital Reallocation Resolutions is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

By order of the Boards of Directors of Centuria Capital Limited and Centuria Funds Management Limited (as responsible entity of the Fund).

A handwritten signature in blue ink that reads "A. Kovarik".

Anna Kovarik
Company Secretary
24 May 2019

VOTING INSTRUCTIONS

Voting entitlement

The Directors of the Company and CFML have determined that persons holding Securities in the Group at 7:00 pm (Sydney time) on Saturday, 22 June 2019 will, for the purposes of determining voting entitlements at the Meeting, be taken to be the Securityholders of the Group. Transactions registered after that time will be disregarded in determining Securityholders' entitlements to attend and vote at the Meeting.

How to vote

Securityholders may vote by attending the Meeting in person, by proxy or (in the case of a corporate Securityholder) by corporate representative.

Proxies and corporate representatives

A Securityholder who is entitled to attend and vote at the Meeting has the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Securityholder of the Group.

Securityholders holding two or more Securities can appoint either one or two proxies. Where two proxies are appointed, the appointing Securityholder can specify the number of votes or the proportion of the Securityholder's votes they want each proxy to exercise. If no number or proportion is specified, each proxy may exercise half of the Securityholder's votes. Neither proxy may vote on a show of hands.

As alternative to appointing a proxy, a corporate Securityholder may appoint a corporate representative to attend and vote for them at the Meeting. If a corporate representative is appointed, the Securityholder must provide the Group with satisfactory evidence of the appointment in accordance with the Company's constitution, the Fund's constitution and the Corporations Act, before the commencement of the Meeting.

A proxy can be either an individual or a body corporate. Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at meetings; and
- provides the Group with satisfactory evidence of the appointment of its corporate representative before the commencement of the Meeting.

If a proxy appointment is signed by the Securityholder, but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or the Secretary. If you direct your proxy how to vote on a resolution and your nominated proxy does not attend the Meeting, or attends but does not vote, then on a poll held for the resolution, the Chairman will act in place of the nominated proxy and vote in accordance with any instructions.

A proxy form and a reply paid envelope are enclosed with this Notice of Meeting. If you wish to appoint two proxies, please obtain an additional form from the Group's Registry or make a photocopy of the enclosed proxy form. To be effective, a duly completed proxy form and, if the proxy form is signed by the Securityholder's attorney, the power of attorney or other authority

under which the proxy form is signed or a certified copy of the power of attorney or relevant authority, must be received at the Registry or at the Group's registered office at least 48 hours before the start of the Meeting (being no later than 10:00 am (Sydney time) on Saturday, 22 June 2019).

Please note that the proxy return date falls on a Saturday and the office of the Registry is not open on a weekend. If you are returning your proxy by email or fax, you have until 10:00 am (Sydney time) on Saturday, 22 June 2019 to do so. If you are returning your proxy by hand or by post, please ensure that it reaches the offices of the Registry prior to 5.00 pm on Friday 21 June 2019.

Proxies may be returned to the Registry as follows:

By mail:

Centuria Capital Group
GPO Box 3993, Sydney NSW 2001 Australia
(a reply paid envelope is enclosed)

In person:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

By facsimile to:

+61 2 9290 9655

Online at:

www.CenturiaInvestor.com.au/CNIEGM

To use this online voting facility please follow the instructions on your enclosed proxy form.

Undirected proxies

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote by marking either "For", "Against" or "Abstain" next to the Resolution on the proxy form. If you do not direct your proxy how to vote, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.

If the Chairman is your proxy and the appointment directs the way the Chairman is to vote, the Chairman must vote on a poll, and must vote as directed in the proxy form.

However, if the Chairman is your proxy and you do not direct the way the Chairman is to vote, then by signing and returning the proxy form you will be expressly authorising the Chairman to vote as he sees fit. **The Chairman intends to vote available undirected proxies in favour of the Capital Reallocation Resolutions.**

Voting exclusions

In accordance with section 253E of the Corporations Act, CFML (the responsible entity of the Fund) and its associates are not entitled to vote Units held by them if they have an interest in a Resolution other than as a Unitholder. As far as CFML is aware, neither it nor any of its associates have an interest in a Resolution other than as a Unitholder.

IMPORTANT NOTES

Quorum

The Company's constitution and the Fund's constitution each provide that two Securityholders present personally or by proxy, representative or attorney will be a quorum for the Meeting. The Fund's constitution also requires that those Securityholders hold, between them, not less than 5% of all issued Units.

Required voting thresholds

Voting on the Resolutions will be conducted by way of a poll.

On a poll:

- each Shareholder has one vote for each Share; and
- each Unitholder has one vote for each \$1.00 of the value of their Units.

Resolution 1 and Resolution 2 are each special resolutions and each will be passed if at least 75% of the votes cast on the relevant Resolution are in favour of the Resolution.

Resolution 3 is an ordinary resolution and will be passed if more than 50% of the votes cast on Resolution 3 are in favour of it and if both Resolution 1 and Resolution 2 are passed.

Attendance

If you plan to attend the Meeting, we ask that you arrive at the venue at least 15 minutes before the time designated for the Meeting so that we may check the number of your Securities and register your attendance.

Appointment of Chairman

Under clause 38.1 of the constitution of the Company and pursuant to the authority of the CFML board under clause 17.4(a) of the constitution of the Fund, the Chairman of the Centuria Capital Group Board, Mr Garry Charny, is to be the Chairman of the Meeting. Failing him, another person appointed by the Board will act as Chairman of the Meeting.

EXPLANATORY MEMORANDUM

Please read this Explanatory Memorandum in its entirety, which has been prepared to provide Securityholders with information to assess the merits of the Capital Reallocation Resolutions.

1. Frequently Asked Questions

FAQ	Response
What is the Capital Reallocation Proposal?	If the Capital Reallocation Proposal is approved: <ul style="list-style-type: none">the Company will pay a \$30 million fully franked dividend to Shareholders (Special Dividend), which is equivalent to \$0.078215 per Share; andthe Special Dividend, will be automatically reinvested into the Fund as a capital contribution (Capital Reallocation).
Why is the Capital Reallocation Proposal being proposed?	The Capital Reallocation Proposal is being proposed for the following reasons: <ul style="list-style-type: none">A reallocation of capital from the Company to the Fund and the rebalancing of the NTA split to 80/20 in favour of the Fund would ensure the injection of equity upon any future capital raisings by the Group would primarily be received by the Fund; andThe injection of further equity capital into the Fund will support the Fund's strategic objective of increasing recurring revenue streams, which is achieved via rental income provided by the holding of co-investment stakes in listed and unlisted property funds.
What happens if the Capital Reallocation Proposal is not approved?	The Special Dividend will not be paid and the Capital Reallocation will not occur.
Will I receive any cash?	No, even if the Capital Reallocation Proposal is approved, you will not receive any cash because the Special Dividend will be automatically reinvested in the Fund as a capital contribution.
Will I need to pay Centuria Capital Group any additional money?	No, regardless of the outcome of the Meeting. If the Capital Reallocation Proposal proceeds and the Special Dividend becomes payable, the dividend that would otherwise have been paid to you will be automatically reinvested in the Fund as a capital contribution on your behalf.

FAQ	Response
Can I elect to receive cash if the Capital Reallocation Proposal is approved?	No. If the Capital Reallocation Proposal is not approved the Company will not pay the Special Dividend. If it is approved, the Special Dividend will be automatically paid on behalf of all Securityholders to the Fund as a capital contribution.
Will any new Securities be issued?	No, regardless of the outcome of the Meeting.
Will the value of my Securities be reduced by the Capital Reallocation Proposal?	<p>No, although the market price at which Securities trade on the ASX at any time cannot be guaranteed.</p> <p>Any decrease in the value of the Shares in the Company (by payment of the Special Dividend) should be offset by an equal increase in the value of the Units in the Fund (by the application of the Special Dividend as a capital contribution to the Fund).</p>
Will I need to pay any tax as a result of the Capital Reallocation?	<p>If you are an individual and your marginal tax rate is higher than the corporate tax rate of 30% you may need to pay tax on the Special Dividend, even though you will not receive any direct cash dividend payment. General comments regarding taxation matters are set out in Section 11. If you are in doubt about your specific circumstances, we recommend that you seek advice from your own taxation adviser.</p> <p>The fully franked Special Dividend will be treated as assessable income to you even though you do not receive any cash. However, as the Special Dividend will be fully franked, you will only need to pay tax in respect of the Special Dividend to the extent your marginal tax rate exceeds 30%. This is because the franking credits reflect company tax already paid by the Company at the corporate tax rate of 30% on profits supporting the payment of the Special Dividend.</p> <p>For example, if you are an Australian resident individual Securityholder with a 47% marginal tax rate (inclusive of the Medicare Levy) and you receive a fully franked Special Dividend of \$100, the tax consequences for you would be as follows:</p> <ul style="list-style-type: none"> • You would include the \$100 Special Dividend in your assessable income • You would also include franking credits on the Special Dividend of \$42.86 in your assessable income • You would pay tax at your marginal rate on \$142.86 of assessable income. The marginal tax at 47% would be \$67.14 • You would claim a tax offset in respect of the franking credit resulting in a \$42.86 reduction in the amount of tax payable. The tax payable would therefore be \$24.29

FAQ	Response
	The above example is based on a Securityholder whose assessable income for the year is limited to the Special Dividend and has no other allowable deductions. Other assessable income or the existence of other tax attributes may impact the above example.
Are the Directors making a recommendation?	Yes, the Directors recommend that you vote in favour of the Capital Reallocation Proposal by voting in favour of the three Resolutions.
Do I need to sign or return any documents after the Meeting?	<p>The Directors strongly recommend that you read this Explanatory Memorandum in its entirety and, if you cannot attend the Meeting in person or vote on-line, that you return your signed and completed proxy for the Meeting.</p> <p>After the Meeting has been held, regardless of the outcome, you do not need to sign or return any additional documents.</p>

2. Background

2.1 The Centuria Capital Group

The Centuria Capital Group comprises the Company (Centuria Capital Limited) and the Fund (the Centuria Capital Fund) and their controlled entities (**Group**).

The responsible entity of the Fund is Centuria Funds Management Limited ACN 607 153 588 (**CFML**).

Each of the ordinary shares in the Company (**Shares**) has been stapled to the ordinary units in the Fund (**Units**) on a one-for-one basis to form Centuria stapled securities (**Securities**).

The Group is a specialist investment manager with approximately \$5.6 billion in assets under management. The Group's two key investment arms consist of Centuria Property Funds Management, which specialises in managing listed and unlisted property investments, and Centuria Investment Bonds, which delivers financial products to help clients meet their investment goals.

The Fund is the holder of commercial property investment assets, which generate rental income, including the Group's co-investment in Centuria Metropolitan REIT (**CMA**) (the Group holds a 24.9% interest in CMA) and Centuria Industrial REIT (**CIP**) (the Group holds a 24.2% interest in CIP).

2.2 Rationale for the Capital Allocation Proposal

Upon an equity raising by a stapled entity, the funds raised will need to be apportioned between the stapled entities. Typically, stapled real estate entities such as the Group will apportion the capital raised on a net tangible asset (**NTA**) basis. Similarly, the Group as a property funds management business also applies a NTA approach.

The Group has historically implemented a policy by which the relative NTA split between the Fund and the Company is determined each half year (i.e. as at 31 December and 30 June) or upon a transaction that materially changes the NTA split.

As at the date of formation of the Group structure on 17 October 2016, it was considered that an NTA split weighted in favour of the Fund was reasonable based upon the planned use of capital in the business and was broadly in-line with market practice. Upon the initial formation of the Group structure, the NTA split between the Fund and the Company was approximately 80/20.

During the income year ended 30 June 2018, the Group received performance fees of approximately \$30 million in respect of the outperformance of one of its managed funds as part of its property funds management business.

The performance fees caused a significant increase in the Company's NTA, which shifted the relative NTA split towards the Company. As at 31 December 2018, the NTA split between the Fund and the Company was estimated to be 72/28 respectively.

In order to meet future equity funding requirements of the Fund, the Group proposes to re-balance its NTA split back to approximately 80/20 for the Fund and Company respectively. To effect this re-balancing, it is proposed that the Company will pay a fully franked dividend to Securityholders who will then automatically be taken to have contributed these proceeds to the Fund in the form of a capital contribution.

As the receipt of the abovementioned performance fees was the primary reason for the proportionate NTA split shifting toward the Company, and those performance fees were subject to income tax and therefore generated franking credits, it is considered appropriate that the Proposal be effected by way of the payment of a fully franked dividend.

3. Details of the Capital Reallocation Proposal

If the Capital Reallocation Proposal is approved and proceeds:

- the Company's Shareholders will be entitled to a \$30 million fully franked dividend (**Special Dividend**), which is equivalent to \$0.078215 per Share; and
- the Special Dividend, will be reinvested on behalf of the Securityholders as a capital contribution to the Fund (**Capital Reallocation**).

The Special Dividend will be financed from existing cash reserves of the Company.

No Securities will be disposed of, redeemed, cancelled or issued as part of the Capital Reallocation Proposal.

The constitution for the Company and constitution for the Fund do not currently facilitate the re-balancing of capital within the existing stapled structure.

As part of the Capital Reallocation Proposal, the Company and the Fund will seek Securityholder approval to make amendments to the Company and Fund constitutions to provide for the re-balancing of capital within the existing structure without the need to de-staple. This will require the passing of special resolutions for both the Company and the Fund (which will be passed if at least 75% of the votes cast are in favour of the resolutions). The Capital

Reallocation will be conditional upon the amendment of the Company and Fund constitutions and will be undertaken in accordance with those amendments.

General comments regarding taxation matters are set out in Section 11. If you are in doubt about your specific circumstances, we recommend that you seek advice from your own taxation adviser.

4. Steps to implement the Capital Reallocation Proposal

The Capital Reallocation Proposal will involve the following steps (in order):

- Securityholder approval is required for the Capital Reallocation Proposal as follows:
 - relevant amendments will be made to the Company and Fund constitutions to provide for re-balancing capital within the existing structure without the need to de-staple; and
 - Shareholders approve the Special Dividend and allocation of that amount to the Fund in accordance with the amended provisions of the Company constitution. Unitholders approve the Capital Reallocation in accordance with provisions of the Fund's constitution.
- The Company will pay a fully franked dividend of approximately \$30 million (**Special Dividend**). This will be a cash dividend funded from existing cash reserves held by the Company.
- The Special Dividend, is to be automatically reinvested on behalf of the Shareholders as a capital contribution into the Fund (under the amendments made to the constitutions of the Company and Fund).
- Under the reallocation provisions of the Company constitution, each Shareholder is taken to have directed that their portion of the Special Dividend be reinvested into the Fund as an equal additional capital contribution in respect of each Unit that they hold. This will occur on a pro rata basis across all existing Units.

5. Fully franked Special Dividend

If approved, the Special Dividend will be a fully franked dividend of \$0.078215 per Share with an attached franking credit of approximately of \$0.033521 per Share. The Special Dividend will be automatically reinvested in the Fund increasing the Securityholders' tax cost base for Units in the Fund.

6. Other important information

Importantly:

- if the Capital Reallocation Resolutions are passed, then the Group may in the future undertake other capital reallocations using the powers conferred in the constitutions for the Company and Fund;
- the Capital Reallocation Proposal will not affect the current FY 2019 distribution guidance of \$0.0925 per Stapled Security for the current financial year;

- all Securityholders will be treated equally under the Capital Reallocation Proposal and the contributions to the Fund will be on a pro-rata basis such that there will be no change in voting rights or control of either the Company or the Fund;
- Securities will be quoted on the ASX on the same basis before and after the Capital Reallocation Proposal; and
- the number of Units and the number of Shares will remain the same following implementation of the Capital Reallocation Proposal.

7. Proposed amendments to constitutions of the Company and the Fund

The proposed amendments to the constitutions of the Company and the Fund confer powers on the Group which are broader than those which are required to implement the Capital Reallocation Proposal as described in this Explanatory Memorandum.

In order to implement the Capital Reallocation Proposal:

- the constitution of the Company must be amended to permit the Company to pay a Special Dividend to Shareholders on terms that the amount paid in respect of each Share is to be automatically reinvested as an additional capital payment to the Fund; and
- the constitution of the Fund must be amended to state that each Unitholder is taken to have directed CFML as responsible entity of the Fund to accept the Special Dividend as an additional capital payment in respect of a Unit.

The proposed amendments to the constitutions of the Company and the Fund go beyond these required changes in that they permit:

- capital reallocations to be made from the Company to the Fund and vice versa; and
- the capital reallocations to comprise of a dividend/income distribution component and a return of capital component, each of which has different tax consequences for Securityholders.

The Group is seeking Securityholder approval for the proposed constitutional changes to confer these broader powers to provide the Group with flexibility to make capital reallocations:

- not only from the Company to the Fund but also from the Fund to the Company. In the future, circumstances may arise which require a rebalancing of capital from the Fund to the Company; and
- consisting of a dividend component and a return of capital component. Whether a special distribution consists of a return of capital or a dividend/income distribution (and the relative split between each component) is important because each component has different tax, accounting and legal consequences.

If the Capital Reallocation Resolutions are approved by Securityholders, the Group will not need to seek Securityholder approval in the future in order to conduct capital reallocations (unless they involve a return of capital by the Company). This will save the Group the time and expense

of having to amend the constitutions of the Company and Fund in order to facilitate such capital reallocations.

8. Evaluation of the Capital Reallocation Proposal

8.1 Reasons for supporting the Capital Reallocation Proposal

The Directors recommend that you vote in favour of the Capital Reallocation Resolutions for the following reasons:

- A reallocation of capital from the Company to the Fund and the rebalancing of the NTA split to 80/20 in favour of the Fund would ensure the injection of equity upon any future capital raisings by the Group would primarily be received by the Fund. The injection of further equity capital into the Fund will:
 - help finance the Fund's principal investment in co-investment stakes in listed and unlisted property funds;
 - support the Fund in expanding its passive investment base in Australian commercial and industrial property reflecting the fact that the Fund is the capital-intensive part of the Group;
 - support the Fund's strategic objective of increasing recurring revenue streams, which is achieved via rental income provided by the holding of co-investment stakes in listed and unlisted property funds; and
 - assist the Fund to meet its existing debt commitments.
- Securityholders will receive franking credits of approximately \$0.033521 per Share attached to the Special Dividend.
- Securityholders will receive an increase of \$0.078215 per Unit in the cost base of their Units.

8.2 Arguments against the Capital Reallocation Proposal

- Following the Capital Reallocation, the Company (viewed separately) would have less cash with which to pursue possible investments. On completion of the Capital Reallocation, however, there will be no change in the total funds available for the Group to pursue investments. In other words, the payment of the Special Dividend will reduce the cash available to the Company but the receipt of that Special Dividend will increase the cash available to the Fund by the same amount.
- The Group will incur some transaction costs in order to implement the Capital Reallocation Proposal (such as registry costs, accounting and legal fees) expected to be in the range of \$150,000.
- The Special Dividend should be assessable income for Securityholders even though it is being reinvested in the Fund. Securityholders may have a tax liability associated with the Special Dividend greater than the franking credit amount.

See the **Taxation** section below for more detail, as well as the Frequently Asked Questions section for an illustrative example.

Each Securityholder should seek appropriate independent professional advice that considers the taxation implications of the Capital Reallocation to their own specific circumstances.

8.3 What if the Capital Reallocation Proposal is not approved?

If Securityholders do not approve all of the Capital Reallocation Resolutions, then:

- the Group will not undertake the Capital Reallocation Proposal;
- the Group will need to consider alternative methods to re-allocate capital in order to achieve an appropriate NTA split between the Company and the Fund; and
- the Fund may also be constrained in funding potential investment opportunities.

If Securityholders approve of Resolution 1 and Resolution 2 but not Resolution 3, the Specific Capital Reallocation Proposal referred to in this notice will not proceed but the constitutions of the Company and the Fund will be amended to permit future capital reallocations to occur in accordance with the amended constitutions.

9. Timing of the Capital Reallocation Proposal

9.1 Conditions to Capital Reallocation Proposal

The Capital Reallocation Proposal will only be implemented if:

- the Directors continue to be satisfied at the implementation time that the Capital Reallocation Proposal is in the best interests of Securityholders; and
- all of the Capital Reallocation Resolutions are approved by the requisite Securityholder majorities at the Meeting.

9.2 When will the Capital Reallocation Proposal occur?

If the Capital Reallocation Proposal is approved, the Directors intend that it will be fully implemented before 30 June 2019.

Notwithstanding the passing of the Capital Reallocation Resolutions, the Group is not obliged to implement the Capital Reallocation Proposal or any other reallocation of capital.

10. Capital Reallocation Resolutions

10.1 Securityholder approvals required

The Capital Reallocation Proposal cannot be implemented unless the proposed amendments to the constitutions of the Fund and the Company are approved. These proposed amendments require the approval of Shareholders under Resolution 1 and Unitholders under Resolution 2 by special resolution.

In addition, the Capital Reallocation Proposal itself requires the approval of Securityholders under Resolution 3 by ordinary resolution.

10.2 Proposed amendment to the Company constitution

Resolution 1 approves an amendment to the Company's constitution to facilitate capital reallocations between the Company and the Fund. The amendment will result in the following being inserted after clause 94 of the Company's constitution:

94A. CAPITAL REALLOCATION

94A.1 *Notwithstanding any other provision in this Constitution but subject to Members' approval if required by law, the Company may at any time pay a dividend or return capital of the Company (or both) to the Members on terms that the amount (the "**Capital Reallocation Amount**") returned or paid (or both) (or part of it) in respect of each Share is to be applied:*

- (a) *by the Company as agent for and on behalf of each Member by paying that amount to a Stapled Entity; and*
- (b) *as an additional capital payment in respect of the Stapled Security in the Stapled Entity already issued and to which that Share is Stapled.*

94A.2 *Subject to the rights, obligations and restrictions attaching to any particular Share, a Member is entitled to that proportion of the dividend or capital to be paid or returned under this **clause 94A** as is equal to the number of Shares held by that Member on a date determined by the Company divided by the number of Shares on the Register on that date as at the end of the day.*

94A.3 *If at any time the Company pays a dividend or returns capital to the Members under **clause 94A.1**, then:*

- (a) *each Member is taken to have directed the Company to pay the Capital Reallocation Amount to the Stapled Entity on that basis;*
- (b) *the Company must pay the Capital Reallocation Amount to the Stapled Entity on that basis and in accordance with the terms of any Directors' or (if relevant) Members' authorising resolution ("**Capital Reallocation Resolution**"); and*
- (c) *each Member will be deemed to have irrevocably appointed the Company as its attorney and agent to do all things the Company considers necessary to give effect to the Capital Reallocation Resolution.*

94A.4 *Notwithstanding any other provision in this Constitution, if, at any time a Stapled Entity makes a return of capital or pays a dividend (or both) to the holder of an Attached Security on terms that the amount returned or paid (or both)(or part of it) in respect of the Attached Security ("**Recipient Capital Reallocation Amount**") is to be paid at the direction of the holder of the Attached Security to the Company as an additional capital payment in respect of the Share to which*

the Attached Security is Stapled, then the holder of that Share, as a holder of the Stapled Security, is:

- (a) deemed to have directed the Company to accept the Recipient Capital Reallocation Amount as an additional capital payment in respect of the Share to which the Attached Security is Stapled;*
- (b) deemed to have appointed the Company as its attorney and agent to do all things the Company considers necessary to give effect to the receipt of the Recipient Capital Reallocation Amount by the Company; and*
- (c) the Company will be deemed to receive the Recipient Capital Reallocation Amount as an additional payment in respect of the Share to which the Attached Security is Stapled.*

10.3 Proposed amendment to the Fund constitution

Resolution 2 provides for the amendment of the Fund's constitution in order to facilitate capital reallocations between the Company and the Fund. Resolution 2 is required under section 601GC of the Corporations Act, which permits the Fund's constitution to be amended by special resolution of Unitholders. The amendment will result in the following being inserted after clause 16 of the Fund's constitution:

16A Capital Reallocation between Stapled Entities

- (a) Notwithstanding any other provision of this Constitution, if at any time the Responsible Entity makes a distribution or other payment (whether in the nature of capital, income or otherwise) on terms that the whole or any part of the amount to be paid in respect of each Unit ("**Capital Reallocation Amount**") is to be paid at the direction of the Member to or for the benefit of a Stapled Entity (as an additional capital payment in respect of the security to which the Unit is Stapled), then:
 - (A) the Member is taken to have directed the Responsible Entity to pay the Capital Reallocation Amount to that Stapled Entity;*
 - (B) the Responsible Entity must pay the Capital Reallocation Amount (and is empowered to do so for all purposes) to or for the benefit of the Stapled Entity;*
 - (C) each Member appoints the Responsible Entity as its attorney and agent to do all things the Responsible Entity considers necessary or desirable to give effect to the payment of the Capital Reallocation Amount to the Stapled Entity.**
- (b) Notwithstanding any other provision of this Constitution, if, at any time a Stapled Entity makes a return of capital or pays a dividend (or both) to the holder of a security that forms part of a Stapled Security on terms that the amount returned or paid (or both)(or part of it) in respect of the security ("**Recipient Capital Reallocation Amount**") is to be paid at the direction of the holder of the Stapled Security to the Responsible Entity as an additional*

capital payment in respect of the Unit to which the security is Stapled, then the holder of that Unit, as a holder of the Stapled Security, is:

- (A) deemed to have directed the Responsible Entity to accept the Recipient Capital Reallocation Amount as an additional capital payment in respect of the Unit to which the security is Stapled; and*
- (B) deemed to have appointed the Responsible Entity as its attorney and agent to do all things the Responsible Entity considers necessary to give effect to the receipt of the Recipient Capital Reallocation Amount by the Responsible Entity,*

and the Responsible Entity will be deemed to receive the Recipient Capital Reallocation Amount as an additional payment in respect of the Unit to which the security is Stapled.

11. Tax implications of the Capital Reallocation Proposal

11.1 General

This section below provides a general summary of the Australian income tax and capital gains tax (**CGT**) implications of the Capital Reallocation for certain Securityholders.

The comments in this section deal only with the Australian taxation implications of the Capital Reallocation if you:

- are a resident for Australian income tax purposes (unless otherwise specified); and
- hold your securities on capital account.

These comments do not apply to you if you:

- are not a resident for Australian income tax purposes (unless otherwise specified); or
- hold your securities as revenue assets or trading stock (which will generally be the case if you are a bank, insurance company or carry on a business of share trading); or
- are assessed on gains and losses on the securities under the 'TOFA provisions' in Division 230 of the Income Tax Assessment Act 1997.

The taxation implications of the Capital Reallocation will vary depending upon your particular circumstances. Accordingly, you should seek and rely upon your own professional advice before concluding on the particular taxation treatment that will apply to you.

Centuria Capital Group and its officers, employees, taxation or other advisers do not accept any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

This taxation summary is necessarily general in nature and is not exhaustive of all Australian tax consequences that could apply in all circumstances for Securityholders. It is strongly recommended that each Securityholder seek their own independent professional tax advice applicable to their particular circumstances.

This summary does not constitute financial product advice as defined in the Corporations Act. This summary is confined to certain taxation matters, based on the relevant Australian tax laws

in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the date of this summary. This summary does not take into account the tax laws of countries other than Australia.

11.2 Australian residents

Will the Special Dividend be assessable income to Australian resident Shareholders for tax purposes?

Yes. An Australian resident Shareholder in receipt of the Special Dividend will be required to include the amount of the Special Dividend and the amount of the franking credits attached to the Special Dividend in their assessable income.

Will Australian resident Shareholders be entitled to claim a tax offset in respect of the Special Dividend?

Yes. An Australian resident Shareholder should be entitled to claim a tax offset in respect of the Special Dividend provided they hold the Shares 'at risk' for at least 45 days within the qualification period in respect of the Special Dividend (refer below).

Individuals, complying superannuation funds or charitable institutions, should be entitled to a refund of the tax offset to the extent it exceeds their income tax liability for the income year. Companies (including listed investment companies) will be entitled to apply the tax offset against their income tax liability in order to reduce their tax payable, however companies will not be entitled to a refund of the tax offset to the extent it exceeds their income tax liability for the income year. Companies will be required to include the franking credit attaching to the Special Dividend in their franking accounts.

Individuals who pay tax at rates in excess of 30% will need to pay 'top-up' tax on the franked dividend.

Qualification period

The holding period rule requires a shareholder to hold shares, or the interest in shares on which a dividend is paid, 'at risk' for a continuous period of at least 45 days (not including the day of acquisition or disposal) during the qualification period.

The general qualification period (which applies where there is no 'related payment') begins from the day after the date of acquisition of the share and ends on the 45th day after the day on which the share becomes ex-dividend. However, in this case as the Capital Reallocation requires Shareholders to make a capital contribution that passes on the benefit of the Special Dividend from Shareholders to the Fund, the related payment rules apply.

Accordingly, the qualification period (which applies where there is a 'related payment') begins 45 days before the Shares became ex-dividend and ends on the 45th day after the day on which the Share becomes ex-dividend.

As such, where an Australian resident Shareholder holds their interest in the Company 'at risk' for at least 45 days (not including the day of acquisition or disposal) during the relevant qualification period the Shareholder should be entitled to the franking credits attached to the Special Dividend received.

Where an Australian resident Shareholder does not qualify for the franking credits attaching to the Special Dividend, the Shareholder will not be required to include the amount of the franking credits in their assessable income.

Shares held 'at risk'

Whether a Shareholder holds their Shares, or interest in Shares 'at risk', will depend on the Shareholder's individual circumstances. Accordingly, Shareholders should review the holding period rules as they apply to their particular circumstances before claiming a tax offset in respect of the Special Dividend. In particular consideration should be given to the impact of hedging arrangements.

Exemptions

Generally, there is a small shareholders exemption for natural persons whose tax offset entitlement does not exceed \$5,000 for the income year. There is also an exemption for certain superannuation funds, insurance entities and widely held trusts which comply with certain 'benchmark portfolio' rules. However, these exemptions will not apply in this circumstance as the Special Dividend involves a related payment.

Other requirements for franking credits

There are certain tax rules which can deny franking credits attaching to the Special Dividend in order to prevent the streaming of and trading in franking credits. These rules should not apply to deny franking credits attaching to the Special Dividend.

Will the Capital Reallocation arising from the Special Dividend result in an increased cost-base for each Unit held by Securityholders?

Yes. The cost base and reduced cost base of each Unit held by an Australian resident Securityholder will increase by the capital contribution applied in respect of the existing Units.

As no new Units will be issued in the Fund as part of the Capital Reallocation, the capital contribution should constitute an increase in the fourth element of the cost base of the Units (where the Units are held on capital account).

11.3 Foreign residents

Will the Special Dividend be assessable income to foreign resident Shareholders for tax purposes?

No. Shareholders who receive the Special Dividend and are not tax residents of Australia (other than those carrying on a business in Australia at or through a permanent establishment in Australia) will not be required to include the Special Dividend as assessable income. Further, as the Special Dividend will be fully franked, non-resident Shareholders will not be subject to withholding tax on the Special Dividend.

For completeness, Shareholders who receive the Special Dividend and are not tax residents of Australia but carry on business in Australia at or through a permanent establishment, will be required to include the Special Dividend in their assessable income to the extent that the Special Dividend is attributable to the permanent establishment.

12. Directors' recommendation

The Directors unanimously recommend that Securityholders vote **FOR** the Capital Reallocation Resolutions.

The Directors intend to vote their Securities in favour of the Capital Reallocation Resolutions.

The Chairman intends to vote all available proxies **FOR** the Capital Reallocation Resolutions.

13. No other material information

Other than as set out in this Explanatory Memorandum, there is no other information known to the Directors of the Company that they consider may reasonably be expected to be material to a Securityholder in deciding whether or not to vote in favour of the Capital Reallocation.

As permitted by the Corporations Act, this Explanatory Memorandum does not disclose information where it would be unreasonable to require the Group to do so because the Group has previously disclosed the information to Securityholders.

Glossary

In this Notice of Meeting the following words have the meanings shown:

ASX	ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
Board	the board of directors of the Company and CFML.
Capital Reallocation	upon payment of the Special Dividend, the Shareholders are compulsorily required to reinvest it as a capital contribution to the Fund, as described in this Notice of Meeting.
Capital Reallocation Proposal	the proposal to conduct the Capital Reallocation.
Capital Reallocation Resolutions or Resolutions	the resolutions to be considered at the Meeting in relation to the Capital Reallocation Proposal.
Centuria Capital Group or Group	the stapled group comprising the Company and the Fund .
CFML	Centuria Funds Management Limited ACN 607 153 588.
Chairman	the Chairman of the Group, Mr Garry Charny.
CNI	has the same meaning as Centuria Capital Group.
Company	Centuria Capital Limited ACN 095 454 336.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Director	a director of the Company or CFML or both, as the context requires.
Fund	Centuria Capital Fund ARSN 613 856 358.
Meeting	the general meeting of the Shareholders of the Company and the meeting of Unitholders of the Fund which meetings will be held concurrently on Monday, 24 June 2019 at 10:00 am (Sydney time).
Notice of Meeting	this Notice of Meeting, including the Explanatory Memorandum.
NTA	net tangible assets.
Registry	Boardroom Pty Limited ACN 003 209 836.
Security	a fully paid ordinary share in the Company stapled to a fully paid ordinary unit in the Fund.
Securityholder	a holder of a Security.

Share	a fully paid ordinary share in the Company.
Shareholder	the registered holder of a Share.
Special Dividend	a fully franked dividend of \$30 million proposed to be paid by the Company and reinvested as a capital contribution to the Fund.
Unit	a fully paid ordinary unit in the Fund.
Unitholder	the registered holder of a Unit.

Corporate Directory

Directors

Garry Charny - Non-Executive Chairman

Peter Done - Non-Executive Director

John Slater - Non-Executive Director

Nicholas Collishaw - Non-Executive Director

Susan Wheeldon-Steele - Non-Executive Director

John McBain - Executive Director and Group Chief Executive Officer

Jason Huljich - Executive Director and Head of Real Estate and Funds Management

General Counsel and Company Secretary

Anna Kovarik

Registered Office

Level 41

2 Chifley Square

Sydney NSW 2001

Tax adviser

Ernst & Young

Legal Adviser

HWL Ebsworth Lawyers

Share Registrar

Boardroom Pty Limited