Core Property
Fund Research & Ratings
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Unlisted Property Fund Report

Centuria Healthcare Property Fund

November 2021

Open-ended healthcare property fund, targeting an FY22 distribution of 5.50 cpu.

Centuria Healthcare Property Fund

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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Centuria Healthcare Property Fund

November 2021

The Centuria Healthcare Property Fund ("the Fund") is an open-ended unlisted property fund which seeks to provide investors with access to a diversified portfolio of healthcare and aged care properties. The Fund's Investment Manager, Centuria Property Funds No.2 Limited ("the Manager") utilises the combined property experience from the Centuria Group and Centuria Healthcare, with a strong track record of delivering returns for investors.

The healthcare sector offers an attractive risk/return profile which is highly sought after by investors. Income is underpinned by an ageing population and shift to preventative care, with the sector providing a high level of resilience through economic cycles, including the current COVID pandemic.

The Fund is open to retail and wholesale investors, with the entry price based on the daily unit price. From time to time, the Fund may temporarily suspend new investment into the Fund to ensure capital is efficiently deployed.

The Fund was established in September 2020 and has an investment portfolio of $349.8M. The portfolio provides a diversified exposure to healthcare and aged care properties, with: 1) 16 properties valued at $339.7M (as if complete value) as well as a $10.1M investment in the related Nexus Property Unit Trust (NPUT), which is a co-owner in four assets that are anchored by Nexus Hospitals, 2) 99% occupancy with a long Weighted Average Lease Expiry (WALE) of 11.5 years, 3) well diversified by location and tenant income, with a weighting to hospitals and surgery 44%, mental health 16%, specialists 14% and other 26%.

The portfolio is expected to grow over time as the Manager intends to acquire additional properties to provide further scale and diversification for the Fund.

The Fund has debt facilities totalling $170M, with ~$40M of undrawn debt which may be used to fund further acquisitions. The portfolio has a Loan-To-Valuation Ratio (LVR) of 44.1%, which sits comfortably at the mid-point of the target range of 35% - 49%, and below the bank LVR covenant of 55%.

The Manager is targeting total FY22 distributions of 5.50 cents per unit, which equates to a 5.4% yield based on the current Issue Price. Distributions are paid monthly.

Fees charged by the Fund are at the low end of what Core Property has seen in the industry, (see *Figure 5: Fees in Perspective*).

The Fund provides a quarterly withdrawal facility, which is capped at $10M p.a., or $2.5M per quarter, as well as the opportunity for full liquidity to investors every five years (next in August 2025).

Core Property estimates the pre-tax equity IRR to be between 5.3% - 8.6% p.a. (midpoint 7.0% p.a.) over 5-years, based on the current portfolio and entry at the current issue price (see Financial Analysis section). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions. Investors should expect the forecast returns are likely to change as additional properties are acquired and debt levels change.

Investor suitability

In Core Property's opinion, the Fund would suit investors who seek a relatively stable income with distributions sourced from a diversified portfolio of healthcare assets. Capital gains are expected to be based on the long-term growth in the healthcare sector. The Fund would best be suited as part of a core investment strategy. A minimum investment period of five years is recommended, in alignment with the five-year full liquidity facility, however the Fund does offer a limited quarterly withdrawal facility.

This report should be read in conjunction with the Target Market Determination provided by the Manager, as required by s994B of the Corporations Act 2001.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Fund Details	
Offer Open:	Open ended[1]
Min. Investment:	$10,000[2]
Unit Entry Price / Exit Price	$1.0225 / $1.0225 (18 November 2021)
Liquidity:	Limited Quarterly, Full Liquidity every 5 years
FY22 Forecast Distributions:	5.50 cpu (annualised)
Distribution Frequency:	Monthly, in arrears
Investment Period:	Open ended fund with recommended term of at least 5 years

Note 1: The Fund may temporarily close for applications whilst new pipeline assets are being secured. The Manager advises to check on the Fund's website for regular updates.
Note 2: minimum investment of $10,000, multiples of $1,000 thereafter

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Note: This report is based on the Centuria Healthcare Property Fund Product Disclosure Statement dated 12 November 2020, together with other information provided by Centuria Healthcare.

Key Considerations

Management: The Responsible Entity, Centuria Property Funds No.2 Limited, is a wholly owned subsidiary of Centuria Capital Limited (ASX: CNI), and ASX listed fund manager with $18.1 billion of assets under management. Management has a strong track record of delivering average total returns of 15%+ p.a.

Fund Structure: The Fund is an open-ended unlisted fund targeting healthcare and aged care investment properties. The Fund aims to acquire assets with reputable operators with high occupancies and long lease durations.

Issue Price: Units are currently issued at an Offer Price of $1.0225 (as at 18 November 2021) with daily unit pricing. The Net Tangible Asset (NTA) on the portfolio is estimated at $0.91 per unit. The difference between the Offer price and NTA relates to upfront costs (stamp duty, acquisition costs and fees). The Fund amortises these costs over a 5-year period.

Fund Performance: Since launched in September 2020, the Fund has delivered a total return of 7.7% p.a., with average distributions of 5.94% p.a..

Property Portfolio: The investment portfolio currently consists of $349.8M of assets, including a $339.7M interest in 16 properties and a $10.1M investment in the related Nexus Property Unit Trust (NPUT). NPUT is a co-owner across four of the properties, which are anchored by Nexus Hospitals, providing a strong alignment of interests for the Fund. The portfolio is 99% occupied and has a Weighted Average Lease Expiry (WALE) of 11.5 years. The portfolio is well diversified by location (NSW 28.8%, VIC 27.2%, QLD 22.8%, WA 19.6% and TAS 1.6%) as well as tenancy income (hospitals and surgery 44%, mental health 16%, specialists 14%, GPs 13%, other 13%). The portfolio includes 3 fund-through projects, representing 19% of the portfolio, which are fully pre-committed to be leased upon completion. As an open-ended fund, investors should expect the portfolio to change over time as properties are acquired and sold.

Debt Profile: The Fund has debt facilities totalling $170.0M with an estimated all-in cost of debt of 1.86% p.a., with a weighted average debt expiry of four years. The current Loan-To-Valuation Ratio (LVR) is 44.1%, at the midpoint of the Fund's target range of 35% - 49% and below the bank LVR covenant of 55%. The Manager has hedged $72M of debt to mitigate interest rate movement risk. The current Interest Coverage Ratio (ICR) of 5.3x is comfortably above the bank ICR covenant of 2.0x.

Distributions: The Manager is targeting total FY22 distributions of 5.50 cpu, with distributions paid on a monthly basis. Based on the current Issue Price, this equates to a distribution yield of 5.4% p.a. (annualised).

Fee Structure: Fees charged by the Fund are at the low end of what has been seen in the industry (see Figure 5: Fees in Perspective).

Total return profile: Core Property estimates the pre-tax equity IRR of the proposed portfolio to be between 5.3% - 8.6% p.a. (midpoint 7.0% p.a.) over 5-years, based on the Fund's sensitivities to debt and capitalisation rates (see the *Financial Analysis* section).

Related Party Transactions: The Fund operates in accordance with a conflicts of interest policy for related party transactions. The Manager has a relationship agreement with Nexus Hospitals to acquire Nexus anchored assets which will be owned 85% - 95% by the Fund, with the balance to be owned by the Nexus Property Unit Trust (NPUT). The Fund also invests in the NPUT.

Liquidity: The RE currently offers investors a quarterly Withdrawal Facility of $10.0M p.a., or $2.5M per quarter. Investors will also be provided with the opportunity to redeem some or all of their investment at five-year intervals, with the first full liquidity event expected in August 2025 and every five years thereafter. Investors should note that the terms of the withdrawal offers are subject to the Manager's discretion.

Investment Scorecard

Investment Scorecard
Management Quality
★★★★★
Governance
★★★★☆
Asset Quality / Portfolio
★★★★☆
Income Return
★★★☆☆
Total Return
★★★☆☆
Gearing
★★★☆☆
Liquidity
★★★☆☆
Fees
★★★☆☆

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Key Metrics

Fund Structure

An open-ended unlisted property fund investing in medical and healthcare properties, REITs and cash or cash-like products. The Fund is a registered managed investment scheme. The Fund may employ a strategy of temporarily closing applications whilst new assets are secured, with updates provided on the Fund's website.

Management

Centuria Healthcare is a specialist real estate fund manager with approximately $1.1B of assets under management. Centuria Healthcare is owned 63.1% by Centuria, an ASX listed fund manager with $18.1B of assets under management.

Property Portfolio	As at November 2021
No of Properties:[1]	16
Location:	NSW, VIC, WA, QLD, TAS
Property Sector:	Healthcare & Aged care
Occupancy:	100% (including rental guarantees)
WALE:	11.5 years

Return Profile

Forecast Distribution:	FY22 = 5.50 cents per unit (annualised)
Distribution Frequency:	Monthly, in arrears
Distribution Reinvestment Plan:	Yes
Tax advantage:	FY21 = 98% tax deferred
Estimated Levered IRR (pre-tax, net of fees):	5.3% - 8.6% p.a. (midpoint 7.0% p.a.) based on current portoflio
Investment Period:	5 years (Recommended) The Fund is open-ended with quarterly liquidity on a limited basis and full liquidity every five-years.

Forecast distributions are likely to be tax deferred and will be dependent on the timing of acquisitions. Assumes management fee rebate

Risk Profile

Property/Market Risk:	Capital at risk will depend on a portfolio of healthcare and aged care properties. Investors will be exposed to a potential capital gain or loss, based on market conditions. The Fund is also exposed to developer risks.
Interest Rate Movements:	Any change in the cost of borrowings may impact the distributable income of the Fund's underlying investments as well as distributions from any potential direct properties the Fund may acquire.
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand. Investors should be aware the portfolio may change over time as properties are acquired during the Investment Period and if any properties are sold.

For a more detailed list of the key risks, refer to "Section 7: Investment considerations and risks" of the Product Disclosure Statement.

Fees Paid

Entry Fees:	Nil
Exit Fees:	Nil
Acquisition Fee:	2.0% of purchase price
Property Disposal Fee:	0.5% of sale price
Management Fee:	0.80% of the Fund's GAV[1]
Expenses:	Capped at 0.35% p.a. of the Fund's GAV.
Development Management Fee:	1-5% of development costs
Performance Fee:	20% of the outperformance over a total return of 8.0% (pre-tax, net of fees)[2].

Note 1: Where the Fund invests in an underlying fund managed by Centuria, the Manager will not take a management fee that exceeds a total look through fee of 0.80% p.a. of Gross Asset Value.
Note 2: Calculated quarterly. Subject to clawback for any underperformance

Debt Metrics - Indicative

Drawn Debt / Facility Limit:	$125.9M / $170M
Debt Maturity:	4 years
LVR / Peak LVR / LVR Covenant:	44.1% / 45% / 55%
ICR/ Low ICR / ICR Covenant:	5.3x / 4.8x / 2.0x

Legal

Offer Document:	Product Disclosure Statement, dated 12 November 2020
Wrapper:	Unlisted Property Fund
Responsible Entity & Manager:	Centuria Property Funds No.2 Limited (ABN 38 133 363 185, AFSL 340 304)
Custodian:	Perpetual Corporate Trust Limited
Significant Investor Visa (SIV):	The Fund complies with SIV guidelines.

Fund Overview

The Centuria Healthcare Property Fund ("the Fund") is an open-ended, unlisted property fund that seeks to provide investors with a stable distribution yield with the potential for capital gains through investing in a portfolio of healthcare and aged care properties. The Fund is managed by Centuria Healthcare ("the Investment Manager") which is majority owned by Centuria Capital Limited (ASX: CNI), an ASX-listed fund manager, with over $18.1 billion of funds under management. The Fund's Responsible Entity is Centuria Property Funds No. 2 Limited ("the RE"), which is part of the Centuria Group.

The Fund is open-ended, and investors may acquire units on a daily basis at the relevant Issue Price. The Issue Price as at 18 November 2021 is $1.0225 per unit. The minimum investment is $10,000, increasing in multiples of $1,000 thereafter. The Fund also offers a regular investment plan which allows investors to regularly add to their investment by a minimum of $100 per month, as well as a Distribution Reinvestment Plan. As an open-ended fund, the Manager may undertake various capital management initiatives to ensure capital is appropriately utilised. This may include temporarily paying down debt, raising more equity than is required to provide sufficient capital for future acquisitions, or temporarily suspending new investment in the Fund to ensure equity appropriately deployed.

The Fund invests in healthcare and aged care properties with a specific investment criteria. Assets are held in special purpose sub-trusts, which provide flexibility for assets to be acquired and sold. The Fund has a target allocation to hold up to 7.5% of its net assets in A-REITs and up to 2.5% in cash-like products to provide funds for liquidity.

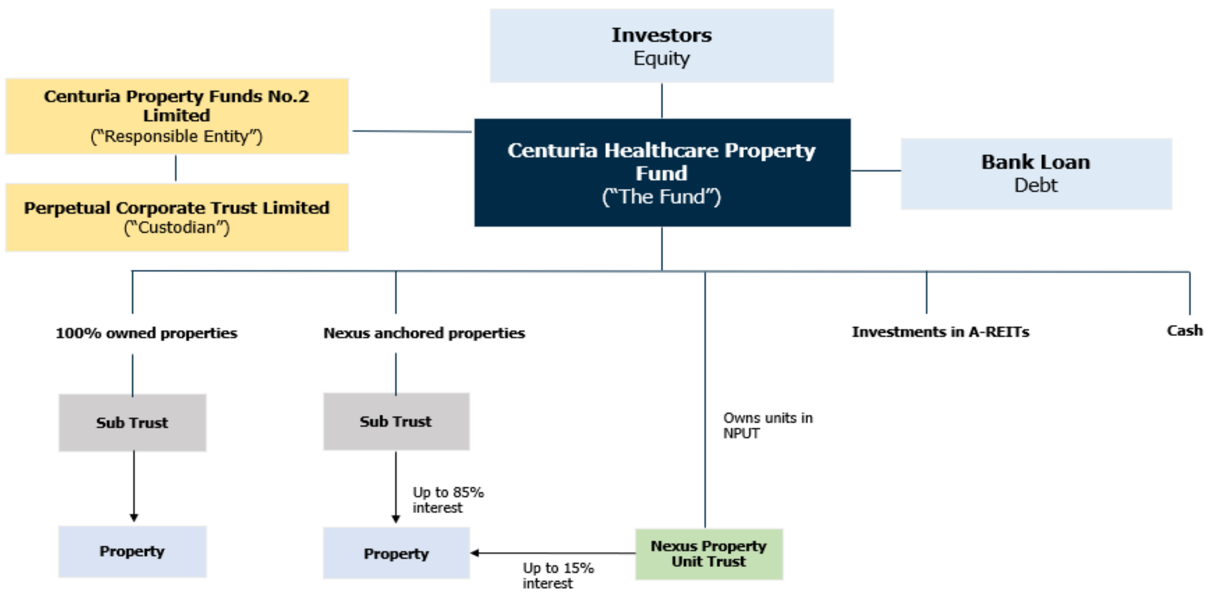
Currently the Fund manages 16 investments valued at $359.8M, with the Fund owning a direct interest of $339.7M in the properties. The remaining interest is owned by the Nexus Property Unit Trust (NPUT) under a partnership agreement with Nexus Hospitals as the operator and anchor tenant. The agreement provides for Nexus anchored properties to be acquired through a structure whereby the Fund will own an 85%- 95% interest in the property with the remaining 5% - 15% to be owned by the Nexus Property Unit Trust (NPUT). The investors in NPUT consists of medical practitioners associated with Nexus. The Fund may also invest in NPUT and currently owns $10.1M (or 71.8%) of units in NPUT.

The Fund was established in September 2020 and a total return of 7.7% p.a. since inception, with average distributions of 5.9% p.a. (annualised). The Manager is targeting total FY22 distributions of 5.50 cpu, equivalent to a 5.4% yield, based on the current Issue Price of $1.0225 per unit.

Debt is held at the trust level across all the assets in the portfolio. The current Loan To Valuation Ratio (LVR) on the portfolio is 44.1%, at the midpoint of the Fund's target range of 35% - 49%. If the LVR increases above 55%, the Manager will implement a strategy to reduce this to below 55%.

Liquidity in the Fund is provided via a limited Quarterly Withdrawal Facility, capped at $10M p.a. Investors will also be offered a full Withdrawal Facility in August 2025, and every five years thereafter.

Figure 1: Fund structure



Source: Core Property, Centuria Healthcare

Fund Strategy

The Fund's objective is to achieve stable income returns and the potential for capital growth through investing in properties in the healthcare and aged care sectors. Target properties will be underpinned by reputable healthcare operators. To achieve its objective, the Fund's strategy is to:

- Invest in a quality portfolio of strategically located healthcare properties;
- Diversify the portfolio by location, property type, tenant and type of healthcare;
- Own properties that have a strong earnings profile, with rental income underpinned by long-term leases with reputable healthcare operators;
- Adhere to a prudent capital structure and capital management strategy, with target look through gearing between 35% - 49%;
- Pursue acquisition, divestment and investment opportunities, utilising Centuria Healthcare sector relationships and expertise; and
- Continue to assess development opportunities, and where appropriate, undertake developments to increase the potential of the portfolio.

The Fund has a target allocation of 90% in Direct Property, 7.5% in A-REITs and 2.5% in cash or cash-like products. The allocation to REITs and cash are intended to provide liquidity for the Fund to support withdrawal requests. The Fund's investment criteria is provided in the table below. Investors should note that the Manager may recommend acquisition opportunities that deviate from the criteria.

Figure 2: Investment Criteria

Category	**Criteria**	
	Medical	**Aged Care**
Property Type	**Primary** • GP clinics/medical centres **Secondary** • Day and short-stay hospitals • Overnight hospitals (eg mental health, rehabilitation) • Specialist facilities (eg radiology, oncology, IVF, cancer care) • Diagnostic facilities (imaging and pathology). **Tertiary** • Private hospitals	Residential aged care properties including specialist aged care (i.e. dementia homes) which predominantly provide "high care" services. The Fund will not acquire opportunities which take on aged care operator risk, unless approved otherwise by the Manager's board. Corporate operators with strong financial covenants and track records in quality care.
WALE:	circa 5 years	> 10 years
Occupancy:	> than 90%	100%
Property Size[1]	> $5M	> $3M
Development	The Fund may consider funding greenfield and brownfield development opportunities that have been substantially de-risked (approved development application, agreements for lease in place for the majority of the net lettable area, agreements for lease in place for 100% of the property (aged care assets), 100% license attainment (aged care assets) and other development risk mitigants as are considered necessary). It is intended the Fund will be limited to development Properties, equating to 20% of the Fund's Net Asset Value at any one time.	

Source: Centuria Healthcare

Unit Pricing

Core Property has reviewed the Fund's calculation of Issue Price and Unit Price and considers it to provide an equitable allocation of transaction costs for all investors.

The Unit Price is calculated on a daily basis and is based on the net asset value of the Fund plus the unamortised value of acquisition costs, divided by the number of units of the Fund. Acquisition costs are amortised over a five-year period, or when the property is sold, whichever is earlier.

The Issue Price is calculated by taking the Unit Price and applying a Buy Spread. The Fund currently has a Buy Spread of Nil. The Issue Price and Unit Price as at 18 November 2021 is $1.0225 per unit. The Net Tangible Assets of the Fund is estimated at $0.91 per unit. The difference between the Issue Price and NTA relates to upfront costs (stamp duty and other Due Diligence acquisition costs and fees). The Fund amortises these costs over a 5-year period.

The Net Assets of the Fund is also updated to reflect the latest valuations on the properties. The Fund has a policy to undertake independent valuations on the properties at lease once every two years, with Director's valuations undertaken at lease every six months. And independent valuation will also be undertaken when the Manager believes there has been a material change in value.

Investors should also note the Fund may issue Acquisition Units to facilitate the acquisition of properties. Acquisition Units rank equally with all units in the Fund. However, the Acquisition Units may be redeemed through the issue of new units in the Fund. The Fund currently has no Acquisition Units on issue.

Liquidity / exit strategy

The Fund offers liquidity for investors to redeem their units, via two main facilities:

Quarterly Facility: The RE offers a quarterly withdrawal facility, subject to available liquidity.

- The minimum amount available to meet withdrawal requests during a quarter is 0.5% of the Fund's NAV. However, the actual amount available is expected to exceed this amount.
- The maximum amount available to meet withdrawal requests will be capped at 10% p.a. of the Fund's NAV (when the NAV is less than $100M), or $10M p.a. (when the NAV is above $100M). The Fund currently applies the maximum withdrawal limit of $10M p.a., based on the current NAV of the Fund.

At the beginning of each quarter, the Manager estimates the amount it expects will be available to satisfy withdrawal requests received. If the amount of withdrawal requests totals more than the amount available, each request will be scaled back. The balance will then be carried forward to the next quarter.

Investors should be aware the terms and conditions of any Withdrawal Facility is subject to the discretion of the RE. The Manager may suspend withdrawals in certain circumstances; if the processing of requests would compromise the operation of the Fund, if it is impracticable or impossible to calculate a withdrawal price, or if it is deemed to be in the best interests of all investors. As a result, there is a risk that investors may not be able to access the withdraw offer during the investment timeframe.

Every five years: At the end of each rolling five-year term, the Manager intends to provide full liquidity for investors wishing to redeem some or all of their investment. To provide this liquidity the Manager may sell one or more properties, raise new equity, take on additional debt, undertake an equity raising (including via an ASX listing) or a combination of these measures. The first full liquidity event is expected to occur in August 2025, and every five-years thereafter.

Debt Facility & Metrics

The Fund has a target look-through gearing of between 35% - 49% and a maximum look-through gearing level of 55%. If the look-through gearing increases above 55% the Manager will implement a strategy to restore the level of gearing to 55% or below.

The Fund has debt facilities totalling $170.0M, with an estimated all-in cost of debt of 1.86% p.a. and weighted average debt expiry of 3.3 years. The Manager has hedged $72.5M of notional debt over the remaining duration to mitigate interest rate movement risk.

- Currently the Fund has drawn debt is $125.9M, with a Loan to Value Ratio (LVR) of 44.1% against an LVR covenant of 55%. Core Property calculates that the value of the properties must fall by 19.8% to breach the bank LVR covenant.
- The Interest Coverage Ratio (ICR) of 5.3x is above the ICR covenant of 2.0x. Core Property calculates that the net income must fall by 62.0% for this covenant to be breached.

The following is a summary of the current debt metrics for the Fund. Investors should be aware that the returns of the Fund will be impacted by the Fund's ability to refinance and source appropriate debt financing over the term of the Fund. Investors should also note that the following debt metrics are expected to change as the Fund acquires more properties over time.

Figure 3: Debt Metrics – as at November 2021

Details	Metric
Bank	Major Australian and international banks
Security	First ranked mortgage secured against each property with general security agreement over the assets in the Fund
Debt Facility Limit	$170.0M
Drawn Debt	$125.9M
Weighted Average Debt Expiry	3.3 years
Estimated all-in cost of debt	1.86% p.a.
Current LVR	44.1%
LVR Covenant	55.0%
Interest cover ratio / bank covenant	5.3x / 2.0x
Amount by which valuation of properties will have to fall to breach LVR covenant	19.8%
Amount by which income will have to fall to breach ICR covenant	62.0%

Source: Centuria Healthcare, Core Property

Fees Charged by the Fund

The Fund charges Management Costs based on 0.8% of the Gross Asset Value (GAV) of the Fund. Core Property notes that this lies at the low end of what we have typically seen in the market (0.7% - 1.1% of GAV).

Whilst the Property Acquisition Fee is at the high end of the market, the Manager has advised that this takes into account the additional costs of sourcing properties for the Fund.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry/Establishment Fee	Nil	
Exit/Withdrawal Fee	Nil	
Property Acquisition Fee	2.0% of the purchase price of the property.	The Acquisition Fee is at the high end of the industry average of 1.5% - 2.0%.
Property Disposal Fee	0.5% of the sale price of the property (exclusive of any selling costs payable to external real estate agents).	The Disposal Fee is at the low end of the industry average of around 1.0% - 2.0%.
Management Fee	0.80% p.a. of the Fund's Gross Asset Value (GAV)	The management fee is at the low end of the industry (0.7% - 1.1% p.a. of GAV).
Administration Costs & Other Expenses	Capped at 0.35% p.a. of the Fund's Gross Assets for Expenses (excluding Abnormal Expenses).	Expenses are payable from the assets in the Fund and payable when incurred.
Development Management Fee:	1-5% of Development Costs, on a case-by-case basis.	Core Property considers the Development Management Fee to be in line with market rates of up to 5% of Development Costs.
Performance Fee	20% (excluding GST) of the Fund's performance above a total return of 8.0% p.a. after fees and costs. Paid on a quarterly basis (hurdle rate of 2.0% per quarter), with a high watermark for any underperformance.	The benchmark hurdle is in line with current market expectations.

Source: Centuria Healthcare, Core Property

All-in fee analysis

In the table below, Core Property analyses how much of the Fund's cash goes to the RE in fees, and how much is left over for investors as a percentage of the total Fund cash flow. The calculations are based on the current portfolio over an estimated five-year period and assumes no Performance Fee is payable.

Overall, Core Property estimates that the Manager is entitled 7.3% of the total cash generated by the Fund. Core Property considers the fees paid to the Manager to be attractively priced when compared to similar products, which are typically around 7% - 9%. Core Property stresses that these are estimates of how much investors will receive and not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.35
Total cash to investors:	**$1.35**
Acquisition fee:	$0.04
Disposal fee:	$0.00
Base management fee:	$0.07
Fees for the RE (excluding admin costs)	**$0.11**
Total cash generated by Trust	**$1.46**
Fees = % of total cash generated (before fees)	7.3%
Up-front fee vs total fees	32.9%

Source: Core Property

The Healthcare Sector

The healthcare care sector offers an attractive property investment proposition owing to its resilient non-discretionary position within the economy – a thesis that has become more pronounced throughout the COVID-19 period. The strong investor appetite for healthcare real estate has attracted new entrants to the market, with approximately $750m to $1 billion of deployable capital in the market mandated to invest in healthcare real estate. With limited stock of large institutional assets available, the rising demand has seen capitalisation rates significantly compress, resulting in increased valuations for healthcare assets.

Beyond near-term demand, key long-term trends underpinning sector demand include:

- **Growing population –** Australia's population is expected to grow at 1.4% - 1.8% p.a. until 2027 according to the Australian Bureau of Statistics (ABS) forecasts. This is expected to drive the demand for healthcare services, increasing patient numbers and need for additional hospital beds.
- **Ageing population –** With improvements in healthcare, there has been an increase in number of Australians aged 65 years and over, who are estimated to spend up to 4-5x more on healthcare than the general population. This age bracket is expected to grow at 4.0% until 2027, outpacing overall population growth and driving greater healthcare expenditure.
- **Increased occurrence of chronic diseases –** As a result of the ageing population, lifestyle factors (worsening diet and exercise) and improvements in medical detection and treatment, the prevalence and treatment of chronic diseases is increasing in Australia. The ABS has estimated that around 80% of Australians are living with long-term health conditions.
- **Preventative care focus –** With the ageing population and existence of non-communicable disease trending upwards, there has been a shift from short-term treatments towards preventative treatment and disease management. This has driven further demand towards primary and secondary healthcare facilities.
- **Undersupply of Medical Facilities** – From 2012-13 to 2016-17, the number of patient visitations to public hospitals increased by an average of 4.5% per annum. In addition, national median wait times for elective surgeries have substantially deteriorated from 27 days in 2001-12 to 40 days by 2017-18, and the number of available hospital beds within the Australian health system (3.8 beds per 1,000 people; OECD average: 4.7 beds) has underwhelmed. These have coincided with an increase of private hospitals within the sector (40% to 47% from 2000 to 2016) and demonstrate the booming demand for private commercial health precincts.

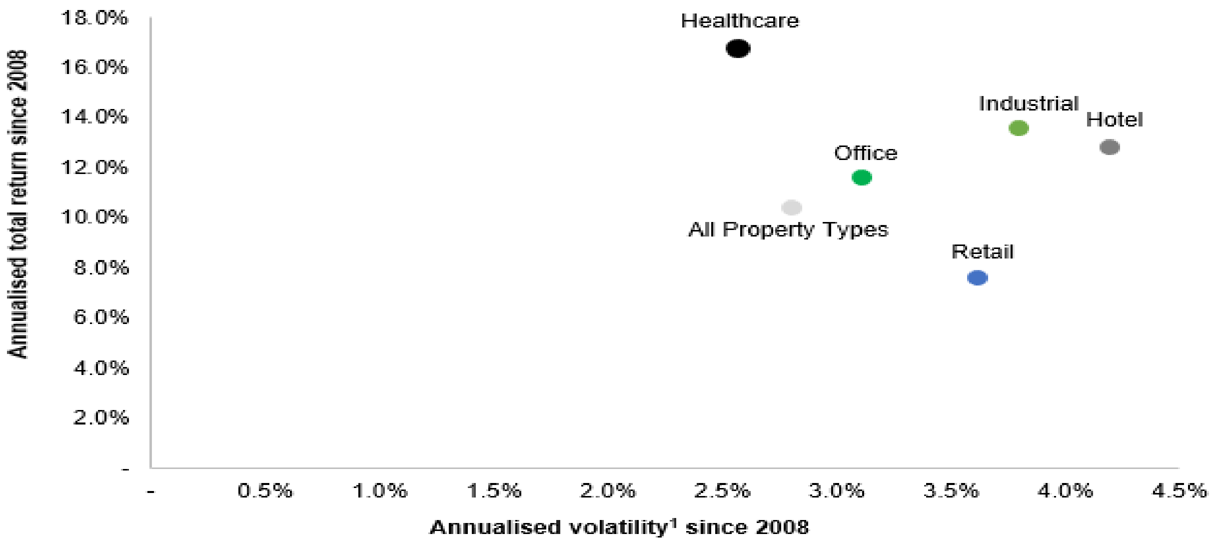
These key trends above have affected the expenditure and the overall growth of the healthcare system.

- **High GDP Expenditure –** According to the Health Expenditure Australia 2017-2018 report, total health spending was $185.4B on healthcare, equating to about 10% of Australia's GDP and over $7,400 per person. Expenditure across both Australia's private and public healthcare sectors are expected to continue growing (7% p.a. CAGR since 2006), as patient visitations and federal government subsidies/contributions (4.2% in 2017-18, expected to be 5.5% in 2054-55) continue to improve.
- **Employment growth –** The Health Care and Social Assistance industry has seen a 16.5% increase in employment over the 5 years to August 2020. Over the five years to May 2024, government forecasts have placed the industry to deliver the strongest employment growth with 15.0%.

Investment Rationale

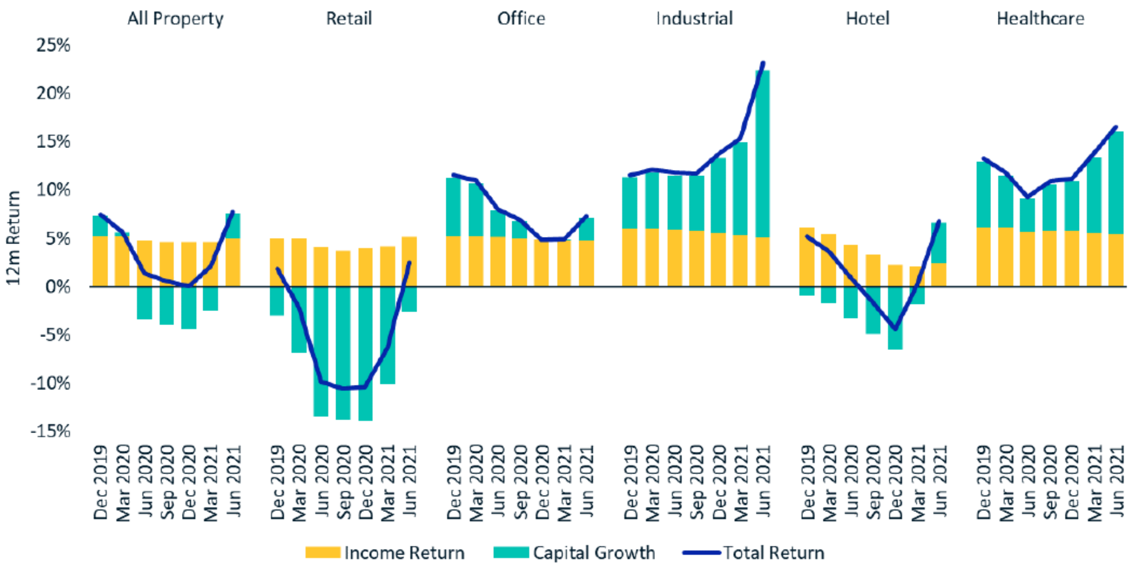
- **Defensive nature of the industry –** The healthcare industry is defensive in nature and generally uncorrelated to the economic cycle. Healthcare expenditure is largely a mandatory, government-dominated and non-discretionary spend.
- **Attractive risk/return characteristics –** Based on MSCI data over a 12-year period, the healthcare property sector has delivered the higher risk-adjusted total returns relative to other property sectors.
- **Stable profile of tenants –** The healthcare industry benefits from a very stable credit profile of tenancy. With business conditions and forecasts for strong growth in the industry, Core Property considers the sector to offer a low risk of default by tenants in their rental agreements. Additionally, the healthcare industry faces minimal turnover for tenants due to:
  - **Reputation:** Healthcare practitioners often build up a clientele and reputation based around their current location, so there is a low willingness to relocate.
  - **Purpose built assets:** Properties are generally purpose built to suit the healthcare provider, and the cost of moving expensive machinery is often a disincentive to relocate.
  - **Located in medical hubs:** Health facilities are often located in 'hubs' close to hospitals and related services with practitioners often being less willing to move away from well situated locations.

Figure 6: Total return against Standard deviation by sector



Note 1: Volatility is measured by standard deviation. The Healthcare category is based on the MSCI Australia Quarterly Healthcare Index, which tracks 136 healthcare assets in Australia, valued at $5.0 billion. Total returns are annual total returns calculated on a quarterly basis from June 2008 to June 2021. Source: MSCI June 2021

Figure 7: Unlisted Property - Total return by sector - MSCI



Source: MSCI

The Property Portfolio

The Fund's portfolio currently consists of $349.8M of property investments spread across 16 health and dementia care assets as well as an investment in a related healthcare trust.

- The Fund has $339.7M of direct property investments, including a 100% direct ownership of 12 properties and an 85% interest in four properties anchored by Nexus Hospitals.
- The Fund also owns $10.1M of units in the Nexus Property Unit Trust (NPUT), which owns the remaining 15% interest in the four Nexus properties.

The portfolio has grown strongly, with $219M of the properties being transacted in the 2021 calendar year to date. The acquisitions have significantly improved the portfolio's diversification across the healthcare sector, by location and tenant. The portfolio is 99% occupied, with a long Weighted Average Lease Expiry (WALE) of 11.5 years.

The Manager advises that it is currently in discussions to acquire two further properties (total value over $60M) as well as additional properties which will further enhance the Fund's diversification and income streams.

As an open-ended fund, investors should expect the portfolio to change over time as additional properties are acquired and/or sold.

Figure 8: Property Portfolio

Property	Acqn Date	NLA (sqm)	Valn	Fund Value (Fund Share, if not 100%)	Portfolio Weight	Cap Rate	Occ %	WALE by income
Direct Properties								
Forrest Family Practice, South Bunbury, WA	Oct 20	890	$7.3M	$7.3M	2.1%	5.75%	100%	9.8 yrs
Bloomfield Medical Centre, Orange, NSW[1]	Oct 20	8,002	$57.5M	$48.9M (85%)	14.0%	5.63%	100%	7.7 yrs
Vermont South Medical Centre, Vermont South, VIC	Oct 20	7,086	$57.1M	$48.5M (85%)	13.9%	5.50%	100%	9.1 yrs
Hobart Day Surgery, Hobart, TAS	Oct 20	905	$5.8M	$4.9M (85%)	1.4%	6.75%	100%	3.1 yrs
Sundew Day Surgery, Joondalup, WA	Nov 20	1,575	$13.0M	$11.1M (85%)	3.2%	5.75%	100%	8.6 yrs
Coffs Harbour Specialist Centre, Coffs Harbour, NSW	Mar 21	3,398	$23.0M	$23.0M	6.6%	6.00%	100%	2.1 yrs
Cairns Day Surgery, Cairns, QLD	Mar 21	2,473	$21.6M	$21.6M	6.2%	5.50%	100%	7.1 yrs
Metro Rehab Hospital, Petersham, NSW	Sep 21	1,850	$8.5M	$8.5M	2.4%	4.95%	100%	13.2 yrs
Havelock House, West Perth, WA	Sep 21	4,856	$50.1M	$50.1M	14.3%	4.00%	100%	11.6 yrs
Sunbury Medical Centre, Sunbury, VIC	Oct 21	1,884	$28.6M	$28.6M	8.2%	4.50%	98%	7.6 yrs
35 Chiltern Crescent, Castle Hill, NSW[3]	Oct 21	10 Beds	$3.7M	$3.7M	1.1%	5.75%	100%	15.0 yrs
18 Lisa Crescent Castle Hill, NSW[3]	Oct 21	10 Beds	$3.7M	$3.7M	1.1%	5.75%	100%	15.0 yrs
3 Garrick Road, St Ives, NSW	Oct 21	7 beds	$4.0M	$4.0M	1.1%	5.00%	100%	20.0 yrs
49 Benaroon Crescent, St Ives, NSW	Oct 21	7 beds	$3.3M	$3.3M	0.9%	5.00%	100%	20.0 yrs
411 Nepean Highway, Frankston, VIC	Oct 21	1,557	$12.0M	$12.0M	3.4%	4.75%	100%	7.9 yrs
Weststate Private Hospital, Townsville, QLD[2]	Apr 23 (est.)	8,803	$60.5M	$60.5M	17.3%	5.75%	100%	25.0 yrs
Investments								
Investment in Nexus Property Unit Trust (NPUT)				$10.1M(71.8%)	2.9%	5.63%	NA	NA
Total / Weighted Average		**43,190**	**$359.7M**	**$349.8M**	**100.0%**	**5.33%**	**99%**	**11.5 yrs**

Note 1: Tenant is Orange Private Hospital Pty Ltd, which is operated by Nexus under a management agreement. Note 2: fund through development with estimated construction completed in April 2023. Valuation based on As if complete value. Source: Centuria

Key Properties

The Fund has a valuation policy requiring an independent valuation at least once every two years or if the Manager believes there has been a material change in value. Director's valuations are undertaken every six months as part of the Fund's financial reporting.

The six largest properties currently account for 74.2% of the current portfolio, with the largest property being the Weststate Private Hospital, West End QLD (valued at $60.5M on completion in April 2023, 17.3% of the portfolio).

- **Weststate Private Hospital, West End QLD (17.3% of portfolio)** is a five-story purpose built hospital currently under construction in West End, QLD. The property is fully preleased to Weststate Private Hospital on an initial 25-year lease upon completion, which is estimated in April 2023.
- **Havelock House, West Perth WA (14.3% of portfolio)** is Perth's largest mental hospital, comprising adjoining two buildings across three levels. The property is fully leased to the Perth Clinic on a 20-year lease, expiring in January 2033.
- **Bloomfield Medical Centre, Orange NSW (14.0% of portfolio)** was completed in late 2019 and consists of four strata levels within a 10-story medical centre. The four floors are fully leased to Orange Private Hospital, which is operated by Nexus Hospitals. The Fund owns an 85% interest in the four strata levels with the NPUT owning the remaining 15%.
- **Vermont South Medical Centre, Vermont South VIC (13.9% of portfolio)** is a high-quality medical centre in Vermont South, 20km east of Melbourne VIC. The property is anchored by Nexus Hospitals, operating as a Short Stay Hospital, and also has consulting suites, allied health services and a large GP provider. The property is owned 85% by the Fund in conjunction with NPUT who own the remaining 15%.
- **Sunbury Medical Centre, Sunbury VIC (8.2% of portfolio)** is a newly constructed medical centre in Sunbury VIC, anchored by a large scale GP with 20 consulting rooms as well as specialist and allied health providers.
- **Coffs Harbour Specialist Centre, Coffs Harbour NSW (6.6% of portfolio**) is part of a three-level specialist medical centre covering 3,398 sqm with a mix of healthcare uses including radiology, pharmacy, pathology and consulting.

Figure 9: Weststate Private Hospital, West End QLD – 17.3% of portfolio

Figure 10: Havelock House, West Perth WA – 14.3% of portfolio

Figure 11: Bloomfield Medical Centre, Orange NSW – 14.0% of portfolio

Figure 12: Vermont South Medical Centre, Vermont South VIC – 13.9% of portfolio

Figure 13: Sunbury Medical Centre, Sunbury VIC – 8.2% of portfolio

Figure 14: Coffs Harbour Specialist Centre, Coffs Harbour NSW – 6.6% of portfolio

Source: Centuria Healthcare

Leases, tenants and income

The Fund's income is underpinned by leading healthcare operators, with strong lease covenants. The Fund has recently enhanced its income profile, securing new long term leases at the Vermont South Medical Centre, VIC (20-years to Nexus), a new 10-year lease extension with BGH Capital at South Bunbury, VIC as well as two five-year lease extensions to I-MED Radiology and Sonic Healthcare across 700sqm at Coffs Harbour Medical Centre, Coffs Harbour NSW.

Approximately 53% of the portfolio's income is derived from the Fund's top five tenants, with 50% from four hospital operators.

- **Nexus Hospitals (20% of portfolio income):** Nexus Hospitals is Australia's second largest day hospital platform with a portfolio of day and short stay hospitals across six states and territories. Nexus is the Fund's largest tenant, occupying four of the properties held by the Fund, including the Bloomfield Medical Centre where the hospital is owned by Orange Private Hospital Pty Ltd but operated by Nexus under a management agreement.

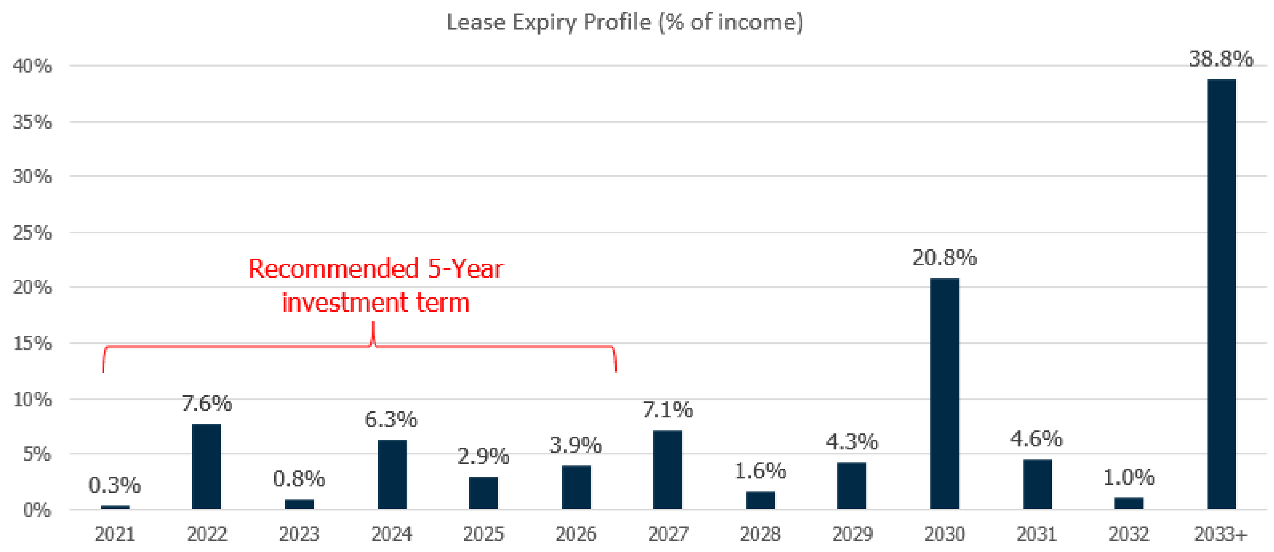
- **Weststate Private Hospital (15% of portfolio income):** Following the completed development of the Weststate Private Hospital, the sole tenant (Weststate Private Hospital) will be responsible for 15% of the Fund's rental income. The Weststate Private Hospital Group entity was founded by two surgeons, a cardiologist and urologist in 2017.
- **Perth Clinic (11% of portfolio income):** Perth Clinic is the largest mental health hospital in Perth, which has been operational since 1996. The sole tenant of Havelock House, Perth Clinic offers a range of services for people experiencing mental health problems services including inpatient programs, day programs and specialised treatments.
- **Ramsay Health Care (4% of portfolio income):** Ramsay Healthcare is an ASX listed company with hospital and health facilities across Australia, Europe and Asia. Ramsay Health is Australia's largest private hospital operator with 72 hospitals and day surgery units and is the funds the Fund's fourth-largest tenant, anchoring the Cairns Day Surgery, Cairns QLD.
- **Mid North Coast Local Health District (3% of income):** The Mid North Coast Local Health District is a NSW Government department providing hospitals and health services from Port Macquarie to Coffs Harbour. The NSW Government department is the fifth-largest tenant of the Fund, anchoring the Coffs Harbour Specialist Centre, Coffs Harbour NSW.

Figure 15: Lease profile (by NLA) – Key tenants

Key Tenants	Property	NLA	% of property NLA	Lease Expiry
Nexus Hospitals (20% of income)	**Bloomfield Medical Centre, Orange NSW**	4,534	57%	July 2021
	Vermont South Medical Centre, Vermont VIC	1,851	27%	July 2027
	Sundew Day Surgery, Joondalup WA	1,494	100%	Feb 2030
	Hobart Day Surgery, Hobart TAS	905	100%	July 2024
Weststate Private Hospital (15% of income)	**Weststate Private Hospital, West End QLD**	8,803	100%	est. April 2048[1]
Perth Clinic (11% of income)	**Havelock House, West Perth WA**	4,856	100%	Jan 2033
Ramsay Health Care (4% of income)	**Cairns Day Surgery, Cairns NSW**	1,517	61%	May 2030
Mid North Coast Local Health District (3% of income)	**Coffs Harbour Specialist Centre, NSW**	1,541	45%	Jan 2024

Source: Colliers, CBRE, m3, Valued Care. Note 1: Based on estimated completion in April 2023 with 25 year lease.

Figure 16: Lease expiry profile (by income)



Source: Centuria Healthcare

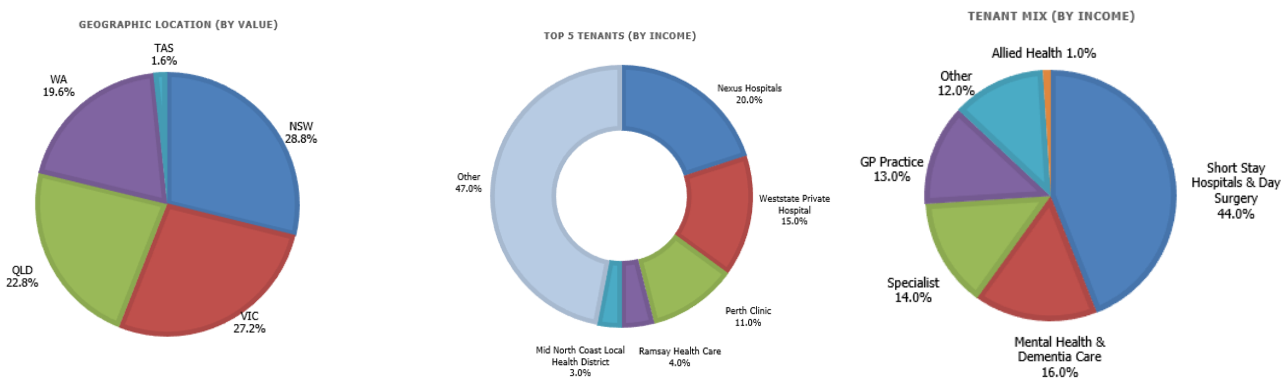
Diversification

The Fund provides a portfolio of properties that is highly diversified by healthcare use, geography, and tenants. The recent acquisitions have delivered increased scale and diversification across all metrics for the Fund.

The Fund provides diversification in the types of healthcare assets it owns, ensuring the portfolio is not heavily weighted to any one specific healthcare use. The majority of the Fund's income is derived from Short-Stay Hospitals and Day Surgeries (44%), followed by Mental Health and Dementia Care (16%) which is a result of the recent acquisitions of Havelock WA - the first mental health property owned by the Fund, as well as the acquisitions of the two St Ives NSW dementia care assets and fund through developments at 35 Children Crescent and 18 Lisa Crescent Castle Hill, NSW – the first dementia care assets owned by the Fund.

The portfolio's geographic diversification has a fair spread across four states – NSW (28.8%), VIC (27.2%), QLD (22.8%) and WA (19.6%), as well as smaller representation in TAS (1.6%).

Figure 17: Diversification metrics



Note: Calculations based on 100% value of properties. Source: Centuria, Core Property

Capex

Excluding developments, capex forecasts for the current portfolio is estimated to be around $10.1M over a 5-year horizon. The capex allowances are in line with the valuer's assumptions and are primarily intended to facilitate refurbishment works and general maintenance. The capex amounts are expected to be serviced via the existing debt facility.

Financial Analysis

Core Property has undertaken a financial forecast of the Fund, based on the Manager's assumptions. The key assumptions in our forecasts are:

- Based on the current portfolio of 16 properties and issue price of $1.0225 per unit.
- Based on the current number of units on issue of 189.6M as at 31 October 2021. Assumes the number of units increases to 257.3M units in 2024 with additional equity used to fund the completion of fund through projects.
- Based on the terms of the current debt facility.
- The property portfolio on the balance sheet does not include the value of Weststate Private Hospital, which is currently valued at $60.5M on completion in April 2023.

The forecasts should be seen as indicative only as the Fund is open ended and the financial position is likely to change as new properties are acquired and new equity and debt is raised. In particular, investors should note that:

- Distributions are likely to increase if the Fund acquires properties on higher yields, or if increased leverage is utilised.
- Distributions are likely to reduce if the fund acquires properties on lower yields, or if less leverage is used, or the Fund accepts new equity subscriptions and is unable to deploy the capital to acquire properties with sufficient returns.

A summary of Core Property's forecasts based on these assumptions is presented below:

Figure 18: Profit & Loss Forecast and Balance Sheet

Profit & Loss - Forecast $M	**7 months 1 Dec 2021 - 30 June 2022**
Net Property Income	8.2
Distributions & Other Income	0.9
Net Operating Income	**9.1**
Management Fee	-1.4
Fund Expenses	-0.5
Net Interest Expense	-1.4
Funds From Operations	**5.8**
Add back: Amortisation Costs (Borrowing Costs, straight-lining of rent free period)	0.7
Funds Available for Distribution	**6.5**
Retained Earnings	**-0.3**
Cash Distributions	**6.2**
Cash Distribution per Unit	**3.21 cpu**
Cash Distribution per Unit - annualised	**5.50 cpu**
Distribution Yield (annualised) – on current Issue Price	**5.4%**
Balance Sheet – $M	**As at October 2021 - Unaudited**
Assets	
Cash	2.4
Direct Properties	290.9
Investment in Property Trusts	10.1
Total Assets	**303.4**
Liabilities	
Borrowings	126.9
Other Liabilities	2.8
Total Liabilities	**129.7**
Net Assets	**173.7**
NTA per Unit	**$0.91 per unit**

Source: Core Property, Centuria Healthcare

Expected Future Performance (IRR Sensitivity)

Core Property has estimated the total return from the Fund based on the assumptions provided by the Manager.

Using these assumptions Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 5.3% - 8.6% p.a. (midpoint 7.0% p.a.) based on +/- 25bps movement in capitalisation rates and interest rates.

The calculation is based on the current portfolio of 16 properties, including future income from properties that have been acquired on a fund through development basis.

Investors should be aware the sensitivities include the potential for the valuation of the assets to increase or decrease (depending on market conditions at the time of sale) which will result in either a capital gain or loss for investors. The IRRs should be seen as indicative only, as the Fund is open-ended and the portfolio metrics are subject to change over time.

Figure 19: Pre-tax, 5-year IRR (after fees) sensitivity analysis

	IRR based on cost of debt				
Terminal cap rate	**0.86%**	**1.36%**	**1.86%**	**2.36%**	**2.86%**
4.83%	10.0%	9.8%	9.6%	9.3%	9.1%
5.08%	8.8%	8.6%	8.4%	8.1%	7.9%
5.33% (base)	7.6%	7.3%	**7.0%**	6.7%	6.4%
5.58%	6.2%	5.9%	5.6%	5.3%	5.0%
5.83%	4.9%	4.6%	4.3%	3.9%	3.6%

Source: Core Property

Management & Corporate Governance

Background of the Responsible Entity & Manager

Centuria Healthcare is a specialist healthcare property funds manager, which is owned 63.06% by Centuria Capital Limited (ASX: CNI) with the balance owned by interests associated with Centuria Healthcare management.

- Centuria Capital Limited is an ASX listed fund manager with $18.1 billion of assets under management, including two ASX-listed REITs, unlisted property funds and investment bonds.
- Centuria Healthcare was established in 1977 to provide specialised management investment services to a niche market of high-net-worth investors. In 1990 it established Centuria Healthcare Asset Management Limited and has acquired over $1.0 billion of commercial property across 41 property funds since inception.

The Board of the Responsible Entity and the management of the Fund utilises the combined experience and skills of both the Centuria and Centuria Healthcare businesses.

Figure 20: The Board of the Responsible Entity & Manager

Name & Role	Experience
Roger Dobson **Independent Chairman** Master of Laws Columbia University, Bachelor of Law Adelaide University	Roger was appointed Chairman of the Board in July 2020 and having previously been an independent Non-Executive Director of Centuria Property Funds No.2 Ltd and the responsible entity of Centuria Industrial REIT. Roger holds extensive knowledge in large, complex restricting, and insolvency matters in a diverse range of industries, with over a decade representing different entities. Roger heads Jones Day's Business Restructuring and Reorganisation Practice in Australia. Roger is a member of the Australian Restructuring Insolvency and Turnaround Association and INSOL International.
Peter Done **Non-Executive Director** Bachelor of Commerce (Accounting) UNSW and Fellow of Chartered Accountants Australia and New Zealand	Peter was appointed to the Board of Centuria Property Funds in 2007 and has 27 years' experience as a partner at KPMG from 1979 until retirement in 2006. During his years at KPMG, Peter was the lead audit partner for many clients, including those involved in property development, primary production and television and film production and distribution. Peter holds a Bachelor of Commerce (Accounting) from the University of New South Wales and is a fellow of Chartered Accountants Australia and New Zealand.
Jennifer Cook **Non-Executive Director** Master's in Business Administration University of Southern Queensland and Graduate of Australian Institute of Company Directors	Jennifer has been an independent Non-Executive Director of Centuria Property Funds No.2 Limited since July 2021. Jennifer is Managing Director of commercial property consultancy firm, Customer 360, working with Australian businesses to develop place transformation strategies that deliver competitive advantage and growth. Her previous senior roles include AMP Capital Real Estate's Head of Customer Experience for the $10B Australia and New Zealand retail portfolio, Urban Development Institute of Australia's (UDIA Qld) Director of Brand and Innovation, Associate Director of Brand Strategy for Fortune 500 company AECOM, and General Manager of Retail for Virgin Mobile. Ms Cook is also an advisory board member of sharing economy start-up Vennu. Jennifer has an MBA from the University of Southern Queensland (USQ) and is a Graduate of the Australian Institute of Company Directors.
Natalie Collins **Non-Executive Director** Bachelor of Economics (Accounting) and Member of the Australian Institute of Company Directors	Natalie has been an independent Non-Executive Director of Centuria Property Funds No.2 Limited since July 2020. She also sits on the Boards of Centuria Life Limited and Guardian Friendly Society and is a member of Centuria Capital Group's Culture and ESG Committee. More recently, Natalie was Head of Emerging Ventures and Co-Founder of Amatil X, the corporate venture capital arm at Coca-Cola Amatil, established to leverage the global start-up ecosystem to uncover disruptive business models and new technologies to drive growth. Natalie started her career as an auditor with PwC and has since gained 20 years' experience in global CPG/FMCG spanning finance, corporate strategy, supply chain, marketing and innovation. Natalie holds a Bachelor of Economics (Accounting) from Macquarie University and is a Graduate at the Australian Institute of Company Directors (GAICD).

Source: Centuria Healthcare

Figure 21: Senior Management Team

Name & Role	Experience
John McBain **Joint CEO - Centuria**	John joined the Centuria Capital Board (formerly Over Fifty Group) on 10 July 2006 and was appointed as Chief Executive Officer in April 2008. John has built an extensive reputation over the years within the property industry. John founded property funds manager Waltus Investments Australia Limited and Hanover Group Pty Limited a specialised property consultancy and boutique funds manager. Waltus was formed in 1995 and was one of the first dedicated property funds managers in Australia. Prior to 1990, John held senior positions in a number of property development and property investments companies in Australia, New Zealand and the United Kingdom.
Jason Huljich **Joint CEO- Centuria**	Jason became the Centuria Group Joint CEO in June 2019 after previously leading Centuria's Real Estate and Funds Management business. Jason was also a founding director and major shareholder in boutique funds manager Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006. He is an Executive Director of Centuria Capital Group. Jason has extensive experience in the commercial property sector, with specialist skills in property investment and funds management. He is also a past President of the Property Funds Association (PFA), which represents the $125 billion direct property investment body in Australia and continues to serve on their national executive. Jason holds a Bachelor of Commerce (Commercial Law) from the University of Auckland, New Zealand.
Andrew Hemming **Managing Director – Centuria Healthcare**	Andrew has 17 years' experience in investment markets with leading international financial institutions in Sydney and London such as HSBC, Merrill Lynch and PNB Paribas. He has worked at the Manager from 2007 and was appointed as a Managing Director in 2013. Andrew holds a Bachelor of Arts (Commerce) and Master of Business Administration from Macquarie University.
Ross Lees **Head of Funds Management - Centuria**	Ross is the Head of Centuria's Real Estate Funds Management business, which is responsible for both listed and unlisted property funds. This includes two ASX listed REITs as well as 16 unlisted funds. Ross was previously the Fund Manager, Centuria Industrial REIT (ASX: CIP). Ross joined Centuria in 2017 and has over 15 years of industrial investment management experience having joined from Dexus where he held senior transactional and portfolio management roles. Prior experience includes over six years at Stockland (ASX: SGP) and four years at Logos Property Australia having established and led their asset management platform.
Victor Georos **Head of Portfolio & Asset Management - Centuria**	Victor joined Centuria as Senior Portfolio Manager in April 2013 and was appointed Head of Portfolio and Asset Management in July 2015. He is responsible for overseeing portfolio and asset management of Centuria's portfolio, including the development and implementation of strategies to enhance value through active asset management and development. Victor has extensive experience in asset and investment management, development and funds management, across the office, retail and industrial sectors, with a key focus on results and the ability to build high performance teams across all sectors. Prior to joining Centuria, Victor held senior positions with GPT Group and Lend Lease, including Head of Industrial & Business Parks at GPT.
Toby Kreis **Head of Funds Management – Centuria Healthcare**	Toby has over 15 years of experience in real estate funds management and advisory, including roles as an Investment Manager for Folkestone Limited's direct property and fund investments, and an analyst for the Mirvac Industrial Trust. Toby has also worked at Deloitte in both the Assurance and Advisory and Corporate Finance Divisions. Toby holds a Bachelor of Commerce and Bachelor of Business (Management) from the University of Queensland.
Vijitha Yogavaran **Fund Manager**	Vijitha has over 10 years' experience across property funds management, corporate finance and management accounting. She previously held roles at Investa Property Group as a Fund Analyst and also within the Corporate Transaction division. Vijitha is a fellow of Chartered Management Accountant (ACMA, CGMA), Chartered Certified Accountant (FCCA) and is a CFA Level 3 candidate.

Source: Centuria Healthcare

Compliance with ASIC Regulatory Guide 46

ASIC Regulatory Guide 46 'Unlisted property schemes: Improving disclosure for retail investors' and Regulatory Guide 198 'Unlisted disclosing entities: continuous disclosure obligations' describe ASIC's preferred benchmarks and disclosure principles. Core Property has reviewed the PDS in reference to the six benchmarks and eight disclosure principles recommended by RG46. The PDS adheres to the ASIC guidelines.

Related Party Transactions and Conflicts of Interest

The RE maintains and complies with a group-wide conflicts-of-interest policy on related party dealings, including assessment and approval processes implemented by the RE's compliance team. All related party transactions and appointments will be conducted on an arm's-length basis, in the best interests of Investors and require approval from the RE's independent directors.

- The Manager has entered into an agreement which will see CHPF coinvest into Nexus-anchored properties with the Nexus Property Unit Trust (NPUT). The NPUT business model involves co-owning, developing and operating the acquired properties with corresponding specialist medical practitioners. It has been indicated that NPUT will own no more than a 15% interest in the assets acquired in the partnership with the Fund. Under the agreement, Nexus, the RE and the NPUT Trustee are independent contractors and are not agent and principal of each other, joint venturers or partners and are not acting on behalf of each other.
- The Fund has acquired Havelock House, West Perth WA from a fund that is also managed by Centuria Healthcare. The Manager has advised that the transaction was undertaken in accordance with its conflicts of interest policy and was approved by the Manager's independent directors.

Past Performance

Centuria Healthcare is owned 63.06% by Centuria Capital Limited (ASX: CNI) and interests associated primarily with Centuria Healthcare management.

- Centuria has completed 44 unlisted funds since 1999 with an average annual return to investors of 16.8% p.a.
- Centuria Healthcare has completed 31 unlisted funds since 1990 with an average annual return to investors of 15.2% p.a.

Since inception, the Fund has provided an average distribution yield of 5.9% p.a. and a total return of 7.7% p.a.. Around 98% of income payments were tax-deferred in FY21.

Investors should note that past performance is not a reliable indicator of future performance as each syndicate – and its respective underlying asset – has its own specific risks and attributes, which operate differently under different market conditions.

Figure 22: Past Performance of CHPF to date

	6 Months	1 year	Since Inception
Distribution	2.83%	5.71%	5.94%
Capital Growth	3.57%	2.92%	1.76%
Total Return	6.4%	8.63%	7.70%

Source: Centuria Healthcare

Appendix – Property Portfolio

Weststate Private Hospital, Townsville QLD – 17.37% of Portfolio

As at 30 June 2021	
Book Value (As if complete)	$60.5M (est. April 2023 completion)
Cap Rate	5.75%
Net Lettable Area (NLA)	8,803
Occupancy (by NLA)	100%
WALE (by income)	25.0 years on completion
Major Tenant	Weststate Private Hospital

The Fund has recently acquired the property located at 2 Wilson Street, West End, Townsville QLD, on a fund through basis to develop a five-storey purpose-built hospital. The development will comprise a short stay hospital connected to a heritage listed building, which will be repurposed and refurbished to accommodate medical consulting rooms, connected via an airbridge. The property is 100% pre-leased to Weststate private hospital with an initial 25-year lease with 3 x 10-year options, subject to annual rental increases of CPI. The land has been acquired by the Fund, with the property expected to be completed by April 2023.

Havelock House, West Perth WA – 14.3% of Portfolio

As at 30 June 2021	
Book Value	$50.1M valuation $50.1M fund interest (100%)
Cap Rate	4.00%
Net Lettable Area (NLA)	4,856 sqm
Occupancy (by NLA)	100%
WALE (by income)	11.6 years
Major Tenant	Perth Clinic

The property at 21-29 Havelock Street, West Perth WA (Havelock House) is Perth's largest mental health hospital and is solely leased to Perth Clinic, an established mental health provider. The property comprises two adjoining buildings, providing a three-level hospital with a total of 100 beds and an office building. The property was owned by the Centuria Havelock House Fund since 2002 and acquired by the Fund in September 2021. Perth Clinic has a 20-year lease term expiring in January 2033 with annual rental increases linked to CPI, with 2 x 10-year option periods thereafter.

Bloomfield Medical Centre, Orange NSW – 14.0% of Portfolio

As at 30 June 2021	
Book Value	$57.5M valuation $48.9M fund interest (85%)
Cap Rate	5.63%
Net Lettable Area (NLA)	8,002 sqm
Occupancy (by NLA)	100%
WALE (by income)	7.7 years
Major Tenant	Nexus Hospitals

The Fund has acquired an 85% interest in four strata levels (ground floor, and levels 2-4) within a 10 storey strata medical centre located in Orange NSW. The remaining 15% interest in the property is owned by Nexus Property Unit Trust. The property was recently completed in late 2019 and the Fund will acquire the strata floors which are fully leased to Orange Private Hospital Pty Ltd and operated by Nexus Hospitals under a management agreement. Other strata levels in the building are expected to be leased to allied health services, pharmacy, radiology, and specialist suites. The property has a WALE of 7.7 years (by income) and is 100% occupied.

Vermont South Medical Centre – 13.9% of Portfolio

As at 30 June 2021	
Book Value	$57.1M valuation $48.5M fund interest (85%)
Cap Rate	5.50%
Net Lettable Area (NLA)	6,906 sqm
Occupancy (by NLA)	100%
WALE (by income)	9.1 years
Major Tenant	Nexus Hospitals

The Fund has acquired an 85% interest in a high-quality medical complex located in Vermont South VIC, approximately 20km east of the Melbourne CBD. The remaining 15% interest in the property is owned by Nexus Property Unit Trust. The property was constructed in August 2015 and is anchored by Nexus Hospitals, operating as a Short Stay Hospital. Other tenants include surgical consulting suites, allied health services and a large GP provider. The property has a WALE of 9.1 years (by income) and is 100% occupied.

Sunbury Medical Centre, Sunbury VIC – 8.2% of Portfolio

As at 30 June 2021	
Book Value	$28.6M valuation $28.6M fund interest (100%)
Cap Rate	4.50%
Net Lettable Area (NLA)	1,884 sqm
Occupancy (by NLA)	100%
WALE (by income)	7.6 years
Major Tenant	Sunbury Medical Centre

The Fund has recently acquired the Sunbury Medical Centre, located at 38-44 Gap Road, Sunbury VIC. The medical centre is a brand new, purpose-built healthcare asset located 39 kilometres north-west of the Melbourne CBD. The facility is 100% occupied, and is anchored by a large-scale GP, that incorporates 20 GP consulting rooms, specialist, and allied health specialists.

Coffs Harbour Specialist Centre, Coffs Harbour NSW – 6.6% of Portfolio

As at 30 June 2021	
Book Value	$23.0M valuation $23.0M fund interest (100%)
Cap Rate	6.00%
Net Lettable Area (NLA)	3,398 sqm
Occupancy (by NLA)	100%
WALE (by income)	2.1 years
Major Tenant	Mid North Coast Local Health District

Located at 343 Pacific Highway, Coffs Harbour NSW, the Coffs Harbour Specialist Centre is a three-level medical centre with a mix of specialist healthcare services including radiology, pathology, and consulting. The property is anchored by the local state health district (Mid North Coast Local Health District), contributing 38.9% of the property's income. The property is well located within the health precinct of Coffs Harbor and is immediately adjacent to the Coffs Harbour Health Campus, a major regional development undergoing a $194M redevelopment.

Cairns Day Surgery, Cairns QLD – 6.2% of Portfolio

As at 30 June 2021	
Book Value	$21.6M valuation $21.6M fund interest (100%)
Cap Rate	5.50%
Net Lettable Area (NLA)	2,473 sqm
Occupancy (by NLA)	100%
WALE (by income)	7.1 years
Major Tenant	Ramsay Healthcare

The Cairns Day Surgery is a two-storey medical complex and day hospital located at 156-160 Grafton Street, Cairns QLD that was constructed circa 1996. The property is 100% occupied and anchored by ASX listed Ramsay healthcare, an Australian multinational healthcare provider and hospital network, a national pathology provider and the Cairns Day Surgery. Ramsay Healthcare holds 61% of the property's NLA and has an 18-year lease term expiring in May 2030, subject to rental increases by CPI with one five-year option period thereafter.

411 Nepean Highway, Frankston VIC – 3.4% of Portfolio

As at 30 June 2021	
Book Value	$12.0M valuation $12.0M fund interest (100%)
Cap Rate	4.75%
Net Lettable Area (NLA)	1,577 sqm
Occupancy (by NLA)	100%
WALE (by income)	7.9 years
Major Tenant	Penisula Health

411 Nepean highway is a three-level mental health outpatient centre constructed in 2016, providing 1,577 sqm of NLA. The asset is 100% occupied by a Victorian State Government public health service, Peninsula Health, who are the major public health service for Frankston and the Mornington Peninsula. Peninsula Health holds an eight-year lease term subject to rent escalations of 3.0% p.a. expiring in June 2029, with one five-year option period thereafter.

Sundew Day Surgery, Joondalup WA – 3.2% of Portfolio

As at 30 June 2021	
Book Value	$13.0M valuation $11.1M fund interest (85%)
Cap Rate	5.75%
Net Lettable Area (NLA)	1,575 sqm
Occupancy (by NLA)	100%
WALE (by income)	8.6 years
Major Tenant	Nexus Hospitals

The Sundew Day Surgery is a brand new two-level purpose-built short-day surgery located at 24 Sundew Rise, Joondalup WA, approximately 24 km from the Perth CBD. The building accommodates three operating theatres, patient, and recovery rooms on the ground floor and seven 23-hour beds and consulting rooms on the first floor. The property is fully leased to Nexus Hospitals, who hold a 10-year lease term subject to annual rent increases by CPI expiring in February 2030, with 2 x 5-year option periods thereafter.

Metro Rehab Hospital, Petersham NSW – 2.4% of Portfolio

As at 30 June 2021	
Book Value	$8.45M valuation $8.45M fund (100%)
Cap Rate	4.75%
Net Lettable Area (NLA)	1,850 sqm
Occupancy (by NLA)	100%
WALE (by income)	13.2 years
Major Tenant	MetroRehab

The Fund has recently acquired the Metro Rehab Hospital, located at 275 Addison Road, Petersham NSW. The MetroRehab Hospital is a three-storey building which has been converted from a surgical hospital to a medical and rehabilitation centre. The facility is 100% occupied by Royal Rehab, an established non-for-profit rehabilitation and disability services provider. Royal Rehab holds a 15-year lease term expiring in Sep 2034, subject to annual rent reviews of CPI capped at 2.5% p.a.

Forrest Family Practice, South Bunbury WA – 2.1% of Portfolio

As at 30 June 2021	
Book Value	$7.3M valuation $7.3M fund interest (100%)
Cap Rate	5.75%
Net Lettable Area (NLA)	890 sqm
Occupancy (by NLA)	100%
WALE (by income)	9.8 years
Major Tenant	Healius

The property located at 120-122 Spencer Street, South Bunbury WA (Forrest Family Practice) is a single storey medical centre including 12 consulting rooms, a physiotherapy room, pathology room and a treatment room. The property is located in the southern area of Bunbury, the third largest city in Western Australia and one of the fastest growing regional cities in Australia. The property was previously anchored by ASX listed Healius Limited, until the medical centre was acquired by BGH Capital who now anchors the property under the name "Forrest Family Practice". The property has a WALE of 9.8 years (by income), following a 10-year lease extension with BGH Capital.

Hobart Day Surgery, Hobart TAS – 1.4% of Portfolio

As at 30 June 2021	
Book Value	$5.8M valuation $4.9M fund interest (85%)
Cap rate	6.75%
Net Lettable Area (NLA)	905 sqm
Occupancy (by NLA)	100%
WALE (by income)	3.1 years
Major Tenant	Nexus Hospitals

Located at 10 Warenford Street Hobart TAS, the Hobart Day Surgery is a two-building complex purpose-built for Nexus Hospitals in 1995. The property comprises a three-theatre facility servicing the specialties of ophthalmology, plastic surgery, oral-maxillofacial, dental and ENT surgery. The property has a WALE of 2.8 years with the lease to Nexus Hospitals expiring in July 2024.

35 Chiltern Crescent Castle Hill, NSW – 1.1% of Portfolio

As at 30 November 2020	
Book Value	$3.7M book valuation $3.7M fund interest (100%)
Cap Rate	5.75%
Total Beds	10
Occupancy	100%
WALE (by income)	15 years
Major Tenant	GHA Dementia Care

The property located at 35 Chiltern Crescent Castle Hill NSW is an existing residential home which has been acquired by the Fund on a fund through development basis. The existing home is set to be demolished for the development of a 10-bed dementia care home, that will be fully leased to Group Homes Australia on a 15-year lease with 1 x 5-year option period.

18 Lisa Crescent Castle Hill, NSW – 1.1% of Portfolio

As at 30 November 2020	
Book Value	$3.7M book valuation $3.7M fund interest (100%)
Cap Rate	5.75%
Total Beds	10
Occupancy	100%
WALE (by income)	15 years
Major Tenant	GHA Dementia Care

The property located at 18 Lisa Crescent Castle Hill, NSW is an existing residential home which has been acquired by the Fund on a fund through development basis. The existing home is planned to be demolished in order to develop a new 10-bed dementia care home, that will be fully leased to Group Homes Australia on a 15-year lease subject to annual rent reviews by CPI with 1 x 5-year option period available thereafter.

3 Garrick Road, St Ives NSW – 1.1% of Portfolio

As at 30 June 2021	
Book Value	$4.0M valuation $4.0M fund interest (100%)
Cap Rate	5.00%
Total Beds	10
Occupancy	100%
WALE (by income)	20.0 years
Major Tenant	Group Homes Australia

The property at 3 Garrick Road, St Ives NSW is a single level residential dwelling that has been converted to be used as a group home. The property provides a 10-bed dementia care home, leased to Group Homes Australia on an initial 20-year lease term expiring in Sep 2041 subject to annual rental increases by CPI with 2 x 10 year option periods available thereafter.

49 Benaroon Crescent, St Ives NSW – 0.9% of Portfolio

As at 30 June 2021	
Book Value	$3.3M valuation $3.3M fund interest (100%)
Cap Rate	5.00%
Total Beds	7
Occupancy	100%
WALE (by income)	20.0 years
Major Tenant	Group Homes Australia

The property located at 49 Benaroon Crescent, St Ives NSW is a two-level residential dwelling that has been converted into a seven-bed dementia care group home. The property is leased to Group Homes Australia on an initial 20-year lease term expiring in Sep 2041, subject to annual rental increases by CPI with 2 x 10 year option periods available thereafter.

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

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