

Centuria

Quarterly Fund Update
September 2020

Centuria ATP Fund

(ARSN 610 104 320)

Key Points

- Following the \$0.47 early return of capital, as at 30 June 2020, the Net Asset Backing of the Fund is \$2.00.
- Forecast distributions for FY21 confirmed at 11.75 cents per unit (annualised).
- Prime yields in the Sydney Fringe remained flat during the June 2020 quarter.

Fund Summary

Distributions for the **Centuria ATP Fund** (Fund) have increased from 11.25 cents per unit to 11.75 cents per unit (annualised) for the September 2020 quarter, which is in line with the forecast for the 2021 financial year. The corresponding distribution statement for the Fund can be accessed from our online investor portal at CenturiaInvestor.com.au.

The audited financial report for the 2020 financial year is now available to download from CenturiaInvestor.com.au. The report confirms that after deducting the \$0.47 early return of capital made to investors in February, the Net Asset Backing (NAB) of units in the Fund reduced slightly by \$0.01 to \$2.00 over the six months to 30 June 2020. This reduction is predominately due to a change in the Mark to Market value of the Fund's derivatives instruments over this period.

Market/COVID-19 Commentary

since the pandemic was announced almost six months ago. The impact to the major assets classes has progressed as anticipated, with continued appetite for industrial assets driven by online and supply chain drivers and supported by long lease terms. Retail shopping centers have seen a material impact to foot traffic, more so in Victoria, and rental collections have reduced in line with mandatory rent relief governed by the Code of Conduct.

The recent June 2020 results period saw market announcements from various Australian listed office REITs confirming low capital volatility in office valuations and robust rental collection levels. This was also reflected by the Centuria Office REIT, being Australia's largest pure play office REIT.

- Centuria currently manages approximately \$4.0b of commercial office real estate, and our portfolio has shown resilience during the pandemic period; and



- The 30 June 2020 office valuations cycle saw an average reduction in valuations between 1%-2% in capital value.
- Centuria's average rent collections between April and June was 91% across the portfolio.

This performance reflects the stability of well positioned office assets with strong tenant profiles.

Recent media attention toward work from home (WFH) trends may leave some Investors with concerns around longer term office demand. Centuria's firm view is that WFH is not a sustainable long term replacement for office space – it's not equitable for people in share houses, people with young families, or people living in small apartments. We expect that current circumstances will accelerate the adoption of WFH trends, with WFH becoming commonplace for a part of the workforce – but it's not a replacement to office space, and it isn't appropriate for all employees. It is anticipated that WFH, long term, will have a negative impact on staff morale, company culture, and the day to day learning of younger staff.

Social distancing measures mean that there is a contrasting dynamic seeking an increase to office space needed, and development pipeline is being postponed which means less competing stock in the short term. More recently, we have witnessed major tenants confirm ongoing appetite for office space. For example, Atlassian recently confirmed their commitment for their Sydney HQ office (\$1.0b project), likewise Amazon is expanding its office footprint in US (+ 275,000 sqm of space) and has flagged future office tower commitment in Melbourne (60,000 sqm).

Centuria's view is that the long-term outlook for office remains robust.

Financial Snapshot

Fund Commencement Date	22 April 2016
Net Asset Backing (NAB)	\$2.00 ¹
Distribution Rate (cents per unit)	11.75 ²
Weighted Average Lease Expiry (WALE) (years)	6.63 ³
Next investor vote on term of fund	21 April 2021

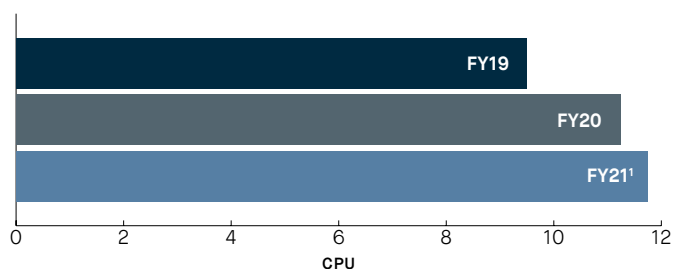
1 Based on the most recent audited accounts as at 30 June 2020 and after deducting the \$0.47 early return of capital made in February 2020. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would be \$2.02.

2 September 2020 quarter, annualised.

3 As at 31 August 2020.

Distribution Details

Annualised Distribution



1 Forecast.

The distribution rate of 11.75 cents per unit (annualised) is in line with the 2021 financial year forecast. This forecast distribution rate reflects the current performance of the Fund and assumes that all tenants will continue to satisfy their contractual obligations under their respective leases within a timely manner and that there are no significant unforeseen capital costs and no material changes to the Fund's financial obligations. However, allowances have also been made for likely changes to tenant rental payments due to the COVID-19 pandemic.

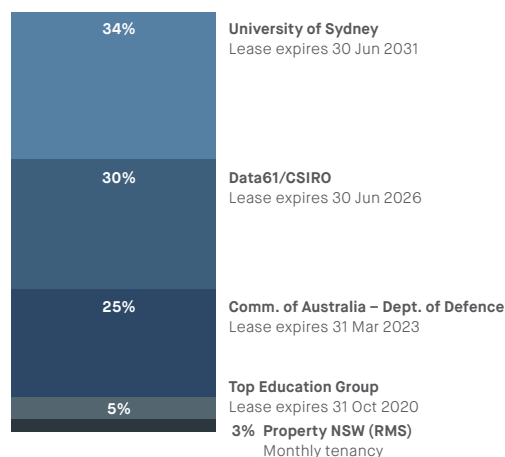
Property Details

Asset Values

Property Addresses	13 Garden St, Eveleigh NSW	1 Central Ave, Eveleigh NSW	6 Cornwallis St, Eveleigh NSW	Portfolio
Purchase Price (Apr 16)				\$104.0m
Previous Valuation (Dec 19)	\$128.0m	\$93.0m	\$8.2m	\$229.2m
Current Valuation (Jun 20)	\$128.3m	\$98.5m	\$8.0m	\$229.2m
Cap Rate (Jun 20)	5.75%	5.50%	5.25%	
Valuer	Directors'	Directors'	Directors'	

The properties were subject to Directors' valuations for the purposes of the 30 June 2020 audited financial report. The key metrics of the valuations are outlined in the table above.

Top Five Tenants by Net Lettable Area (NLA)



The portfolio is currently 98.0% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 6.63 years as at 31 August 2020.

Property Statistics

	Initial ¹	Dec 19	Jun 20
Net Asset Backing	\$0.94	\$2.48	\$2.00 ²
Portfolio Occupancy	100.0%	98.4%	98.4%
Weighted Average Lease Expiry (WALE) (years)	4.84	7.09	6.92

1 Based on the Product Disclosure Statement dated 1 February 2016.

2 After deducting the \$0.47 early return of capital made in February 2020.

Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$98.7m	
Undrawn Amount	\$7.9m ¹	
Loan Expiry	17 December 2021	
% of Debt Hedged	91.6% ²	
Loan Value Ratio (LVR)	39.6% ³	55.0%
Interest Cover Ratio (ICR)	5.26 ⁴	1.95

1 As at 31 August 2020.

2 The Fund's drawn debt is 91.6% hedged until 18 December 2021.

3 The LVR is based on the most recent independent valuations as defined under the debt facility agreement.

4 The stated ICR figures are based on the most recent audited accounts as at 30 June 2020.

As a result of the final payment associated with the incentive for the new 12 year lease to the University of Sydney at 1 Central Avenue, the Fund's drawn debt has increased to \$2.0 million, which leaves \$7.9 million undrawn under the three year loan facility with the Commonwealth Bank of Australia. Approximately 91.6% of the drawn debt is hedged at a fixed rate of 0.89% p.a. (in addition to the bank margin of margin of 1.40% p.a.).

Under the terms of the debt facility, the Fund is required to comply with certain loan covenants over the course of the year. Based on the most recent audited accounts as at 30 June 2020, the Fund remains compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Valuation Ratio (LVR).

RG46 Statements

The latest RG46 Statement for the Fund is available at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au). It includes the following key information:

- Gearing ratio, calculated using ASIC methodology
- Gearing covenant sensitivities
- Detail of related party transactions in the period
- Further information on the source of distributions

Centuria Investor Website

You can access all information relating to your Centuria investments at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au).

Contact Details

If you require assistance with your Centuria Investor account or have any questions regarding your investment in the Fund, please contact **Centuria Investor Services on 1800 182 257** (within Australia); **+61 2 9290 9689** (outside Australia) or by email on Property.Enquiry@CenturiaInvestor.com.au.