

Centuria

Quarterly Fund Update
March 2021

Centuria Healthcare Aged Care Property Fund No.1

(ARSN 606 707 055, APRI HTH0020AU)

Key Points

- 100% occupied with a 14.3-year Weighted Average Lease Expiry (WALE) by income¹.
- The March 2021 quarter distribution is in line with the guidance of 0.9150 CPU, equating to a full financial year distribution of 3.66 CPU.
- There are no aged arrears and the tenants (GHA and Hall & Prior) continue to pay their rent on time.
- St Ives and Blaxland developments are currently in progression.

¹ As at 31 March 2021.

Fund Summary

The **Centuria Healthcare Aged Care Property Fund No.1** (Fund) distribution for the March 2021 quarter is 0.9150 CPU, equating to 3.66 CPU annualised, which is in line with the FY21 distribution guidance.

The corresponding distribution statement for the Fund is enclosed with this report and can also be accessed from our online investor portal at CenturiaInvestor.com.au. The audited Financial Report and tax statement for the half year ending 31 December 2020 is available to download from the portal.

Aged Care Royal Commission

The Royal Commission into Aged Care Quality and Safety was established on 8 October 2018 and was tasked with exploring:

- the quality of aged care services;
- whether aged care services currently meet the needs of older Australians;
- the extend of substandard care across the system; and
- how the system can be strengthened to ensure aged care services are delivered in a person-centred and sustainable way into the future.

The final report of the Royal Commission into Aged Care Quality and Safety was presented to the Governor-General on 26 February 2021. The report contains 148 recommendations, including creating an independent inspector-general to investigate and monitor governance of the aged care system and mandatory minimum qualifications for workers as well as a national registration scheme for the staff. We expect additional funding to be provided to the Aged Care operators to implement the recommendations proposed by the Commission.



The Fund's existing portfolio comprises two aged care homes leased to Hall & Prior, contributing to 38% of the rental income and is regulated under the Aged Care Act. The remaining eight properties are leased by Group Homes Australia (GHA) and is regulated under the Retirement Villages Act. Hall & Prior was established in 1992 and currently operates 27 homes and provides bi-annual reporting to the Manager. In addition, the Fund currently holds 6 months of rental income as bank guarantee from Hall & Prior.

Financial Snapshot

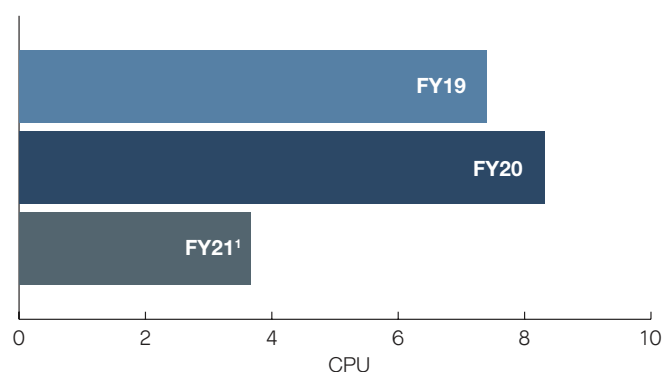
Fund Commencement Date	15 October 2015
Net Asset Value (NAV)	\$0.5354 ¹
Distribution Rate (cents per unit)	3.66 ²
Weighted Average Lease Expiry (WALE) (years)	14.3 ³
Next Investor Vote on Term of Fund	October 2023

¹ Based on the audited 31 December 2020 financial accounts. Excluding the marked-to-market, the NAV would be \$0.5430.

² Forecast FY21 full year distribution, consistent with 31 March 2021 quarter distribution of 0.9150 CPU.

³ As at 31 March 2021.

Distribution Details



¹ As at 31 March 2021.

A distribution of 0.9150 CPU will be paid on or around 10 April 2021 in relation to the March 2021 distribution. This is in line with the guidance provided to the investors.

Property Details

Property	Valuation Dec. 2020 (\$)	Cap Rate Dec. 2020	Valuer	Valuation Jun. 2020 (\$)
Warriewood	2,400,000	5.75%	Internal	2,400,000
Waverley	5,300,000	5.75%	Internal	5,300,000
Turrumurra	3,850,000	6.00%	Internal	3,850,000
Hunter's Hill	4,400,000	6.25%	Internal	4,400,000
Caringbah	3,400,000	6.25%	Internal	3,400,000
Midland	12,500,000	7.00%	Internal	12,500,000
Hurstville	7,600,000	7.50%	Internal	7,550,000
Wahroonga	4,100,000	6.25%	Internal	4,100,000
St Ives (under development)	3,379,689	6.25% ¹	JLL	2,870,824
Blaxland (under development)	2,970,641	6.25% ¹	JLL	2,645,205
Total	49,900,330	6.53%²		49,016,029

¹ Cap rate of the property once development is completed.

² Weighted cap rate includes properties under development.

Independent valuations were undertaken on both St Ives and Blaxland, with all other properties subject to an internal valuation as at 31 December 2020. The December valuation cycle resulted in a minimal valuation uplift of \$0.9m, mostly driven by construction progress at St Ives and Blaxland over the half year.

Development Progress

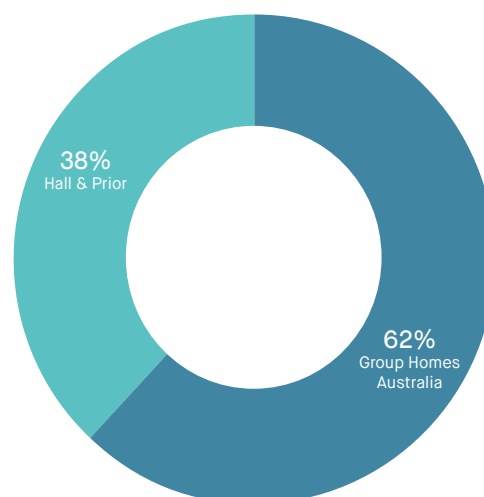
The Fund is progressing construction of two Sydney-based developments with GHA, located in St Ives and Hunters Hill (Blaxland Street). GHA will lease both properties on completion. Practical completion for St. Ives is due in July 2021 and for Blaxland in December 2021. The Blaxland development has been delayed by six months to December 2021 due to the delay in the construction certificate being issued. No further delays are anticipated.

During construction, the Fund pays all development costs and GHA will pay a percentage of the full rent on these costs.

Property	St Ives	Hunter's Hill (Blaxland St)
Land Value	\$2.5m	\$2.6m
Total Costs	\$4.2m	\$4.2m
As-if complete Valuation	\$4.2m	\$4.2m
Forecast Completion	July 2021	December 2021
% Rent Payable*	75%	75%

* GHA will pay the Fund a percentage of the full rent whilst development works are being performed.

Top Tenants by Net Lettable Area (NLA)



Occupancy is 100% with a 14.3-year WALE by income as at 31 March 2021. All tenants continue to pay their rent in a timely manner.

Property Statistics

	Initial ¹	Jun 20	Mar 21
Net Asset Value (NAV)	\$0.94	\$1.0417	\$0.5354 ²
Portfolio Occupancy	100%	100%	100%
Weighted Average Lease Expiry (WALE) by income (years)	20.0	15.2	14.3

¹ Based on PDS dated 26 November 2015.

² As at 31 December 2020

Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$20.1m ¹	
Undrawn Amount	\$1.4m ¹	
Loan Expiry	8 February 2022	
% of Debt Hedged	100% ²	
Loan Value Ratio (LVR)	40.8% ³	50.0%
Interest Cover Ratio (ICR)	4.12 ⁴	2.50

¹ As at 31 December 2020.

² The Fund's drawn debt is hedged until February 2022.

³ As at 31 December 2020. 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 financial statement as at 31 December 2020.

The interest cover ratio (ICR) determines the Fund's ability to pay the interest expense on outstanding debt. A higher ICR indicates the Fund has more funds available to pay its interest costs. BOQ (the Fund's lender) requires a minimum ICR covenant of 2.50 times and the Fund's ICR as at 31 December 2020 is 4.12 times.

The loan to value ratio (LVR) calculates the amount of debt you have against the value of the Fund's properties. The LVR bank covenant for the Fund is 50% and the Fund's LVR is 40.8%.

RG46 Statements

The latest RG46 Statement for the Fund is available at **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

Access all your Centuria Healthcare investments information at: **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** or by email on **Property.Enquiry@CenturiaInvestor.com.au**.

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