

Centuria

Quarterly Fund Update
September 2020

Centuria Healthcare Aged Care Property Fund No.1

(ARSN 606 707 055, APRI HTH0020AU)

Key Points

- Portfolio is 100% occupied with a Weighted Average Lease Expiry (WALE) of 14.8 years¹.
- A special distribution of 51 cents per unit (CPU) was paid on 17 August 2020, following sale of the Infinite Care portfolio for \$70.24 million.
- The September 2020 quarter distribution is in line with the guidance of 0.9150 CPU, equating to a full year distribution of 3.66 CPU.
- Centuria Heathley Aged Care Property Fund No.1 is now known as the Centuria Healthcare Aged Care Property Fund No.1.
- The GHA (Group Homes Australia) development at Wahroonga achieved practical completion on 26 June 2020.

¹ As at 30 September 2020.

Fund Summary

The **Centuria Healthcare Aged Care Property Fund No.1** (Fund) distribution for the September 2020 quarter is 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 30 June 2020 audited Financial Report and tax statement is available to download from the portal.

The settlement of the Infinite Care portfolio was completed on 15 July 2020 for a sale price of \$70.24 million, which includes a stamp duty reimbursement of \$2.09 million. The achieved sale price represents a \$13.24 million premium to the purchase price and capital expenditure (brownfield works) spent on the portfolio. Investors were paid a special distribution of 51 CPU on 17 August 2020.

Following the settlement of the Infinite Care portfolio, the Fund repaid debt to Bank of Queensland (BOQ) amounting to \$36.28 million, reducing the Loan to Value Ratio (LVR) from 46.1% to 41.4%.

Centuria Capital Group joined forces with Heathley Limited in 2019 to create a specialist healthcare real estate funds platform. The rebranding to Centuria Healthcare signifies the beginning of an anticipated growth period for our business. To create consistency across all our healthcare funds, several fund names have changed to reflect the rebranding. The **Centuria Heathley Aged Care Property Fund No.1** is now known as the Centuria Healthcare Aged Care Property Fund No.1. The abbreviation, CHACPF1, will remain unchanged.



In accordance with the Fund's constitution, the Manager is entitled to a management fee equal to 1.2% per annum of the Fund's Net Asset Value (NAV), payable by the Fund on a monthly basis. As previously stated in the Fund Product Disclosure Statement, the Fund incorrectly paid the management fee on a quarterly basis. However, effective from the month of July 2020, the management fee will be paid on a monthly basis.

NAV as at 30 June 2020 is \$1.0417 and this has subsequently reduced to \$0.5332 as at 31 August 2020 as a result of the capital return paid to the investors.

Market/COVID-19 Commentary

The healthcare sector valuations have been largely stable with no transactional evidence to suggest softening in cap rates. Since COVID-19, there has been an increase in appetite from institutional investors for industrial and healthcare asset classes with a positive long-term outlook.

The Fund's aged care operators (Hall & Prior and GHA) have a COVID-19 management plan in place to ensure that the facilities and services to the residents are adequately prepared for any adverse consequences or situations that might arise from the pandemic.

As at 30 September 2020, there are no aged arrears and no impact to the tenants, Hall & Prior and GHA.

Financial Snapshot

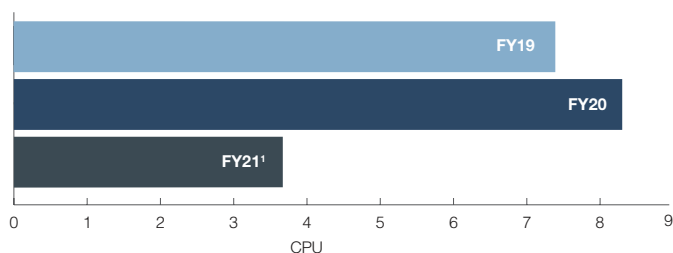
Fund Commencement Date	15 October 2015
Net Asset Value (NAV)	\$1.0417 ¹
Distribution Rate (cents per unit)	3.66 ²
Weighted Average Lease Expiry (WALE) (years)	14.8 ³
Next Investor Vote on Term of Fund	October 2023

¹ Based on the 30 June 2020 financial accounts. Excluding the marked-to-market, the NAV would be \$1.0551.

² Estimated FY21 full year distribution, consistent with 30 September 2020 quarter distribution of 0.9150 CPU.

³ As at 30 September 2020.

Distribution Details



The FY21 distribution rate of 3.66 CPU is based on the Infinite Care portfolio disposal on 15 July 2020 and reduced debt leverage to 41.4% as a prudent risk management measure in response to the Royal Commission and COVID-19.

Property Details

Property	Previous Valuation Dec19 (\$)	Current Valuation Jun20 (\$)	Cap Rate Jun20	Current Valuer
Warriewood	\$2,380,000	\$2,400,000	5.75%	CBRE
Waverley	\$5,300,000	\$5,300,000	5.75%	CBRE
Turrumurra	\$3,850,000	\$3,850,000	6.00%	Internal
Hunter's Hill	\$4,400,000	\$4,400,000	6.25%	Internal
Caringbah	\$3,400,000	\$3,400,000	6.25%	Internal
Midland	\$12,500,000	\$12,500,000	7.00%	CBRE
Hurstville	\$7,580,000	\$7,550,000	7.50%	JLL
Wahroonga	\$3,356,000	\$4,100,000	6.25%	CBRE
St Ives (under development)	\$2,864,000	\$2,870,824	6.25% ¹	Internal
Blaxland (under development)	\$2,600,000	\$2,645,205	6.25% ¹	Internal
Total	\$48,230,000	\$49,016,029	6.54%²	

¹ Cap rate of the property once development is completed.

² Weighted cap rate includes properties under development.

An independent or an internal valuation was undertaken for the purpose of the 30 June 2020 audited Financial Report. We are pleased to report there was a \$0.8 million increase in valuation, attributable to the development costs incurred for the Wahroonga GHA Development.

Development Progress

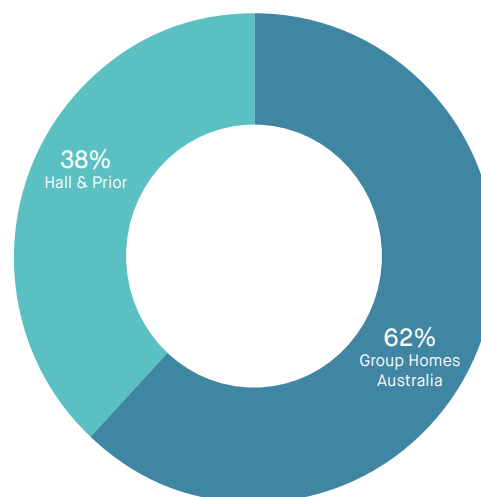
The Fund has completed the development at 42 Clissold Road, Wahroonga. The property features 10 rooms for dementia care residents. In addition, the Fund is progressing two Sydney-based developments with GHA, located in St Ives and (Blaxland Street) Hunters Hill. GHA will lease both properties on completion. The St Ives and (Blaxland Street) Hunters Hill properties are in early stages of development with demolition works completed and design works underway.

During development, 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	\$4.1m
As-if complete valuation	\$4.2m	\$4.3m
Forecast Completion	May 2021	June 2021
% Rent Payable*	75%	75%

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

Top Three Tenants by Net Lettable Area (NLA)



Occupancy is 100% with a WALE by income of 14.8 years as at 30 September 2020. All tenants continue to pay their rent in a timely manner.

Property Statistics

	Initial ¹	Jun 19	Jun 20
Net Asset Value (NAV)	\$0.94	\$1.0114	\$1.0417
Portfolio Occupancy	100%	100%	100%
Weighted Average Lease Expiry (WALE) by income (years)	20.0	16.4	14.8

¹ Based on PDS dated 26 November 2015.

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)	41.4% ³	50.0%
Interest Cover Ratio (ICR)	4.59 ⁴	2.50

¹ As at 31 July 2020.

² The Fund's drawn debt is 68% hedged until February 2022.

³ As at 31 July 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 30 June 2020.

The interest cover ratio (ICR) determines the ability of the Fund 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 forecast ICR is 4.59 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 41.4%.

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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