

Centuria

Quarterly Fund Update
September 2020

Centuria Healthcare Direct Medical Fund No.2

(ARSN 619 641 495 APIR HTH2279AU)

Key Points

- Portfolio is 97% occupied with a Weighted Average Lease Expiry (WALE) of 6.9 years¹.
- Rental collections have increased, with 99% of billings collected in July and August.
- The September 2020 quarter distribution is 1.650 cents per unit (CPU), an increase of 9% compared to the June 2020 quarter distribution of 1.520 CPU.
- The Murdoch radiation oncology preliminary construction works are underway.
- The Centuria Heathley Direct Medical Fund No. 2 is now known as the Centuria Healthcare Direct Medical Fund No. 2.

¹ As at 30 September 2020.

Fund Summary

The **Centuria Healthcare Direct Medical Fund No.2** (Fund) distribution for the September 2020 quarter is 1.65 CPU (annualised 6.60 CPU), which is in line with the forecast for FY21. The distribution will be paid on 10 October 2020. 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 Fund's occupancy remains high at 97%, underpinned with a WALE of 6.9 years¹. The tenants Anglicare (246 sqm) and Lily Hilda (569 sqm) have renewed at the Cleveland property for a three-year and five-year extension, respectively. This has improved the WALE from 6.8 years to 6.9 years.

Preliminary construction works for the new oncology facility at the St John of God Murdoch Hospital (Murdoch) have commenced. The facility is the first private, integrated, hospital-based radiation oncology, nuclear medicine and theranostics facility south of the river in Perth. The Manager has appointed Built as the building contractor, given its experience in building radiation and healthcare facilities. The estimated total development cost is \$12.4m and the estimated end value is \$14.5m, resulting in an estimated development profit of \$2.1m that is projected to improve the Net Asset Value (NAV) by approximately 1.3 CPU. Practical completion of the project is currently estimated for March 2022.



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 will change to reflect the rebranding. The Centuria Heathley Direct Medical Fund No. 2 is now known as the Centuria Healthcare Direct Medical Fund No. 2. The abbreviation, CHDMF2, will remain unchanged.

The Fund's NAV, as at 30 June 2020, is \$0.9159 per unit, a reduction of \$0.0197 per unit compared to the NAV of 0.9356 per unit as at 31 December 2019. The reduction is mainly driven by unrealised fair value loss due to interest rate hedging (marked to market) and June 2020 valuations, primarily relating to Cleveland and Maroochydore valuations which reduced in value as a result of vacancy and upcoming expiries.

¹ As at 30 September 2020.

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 rent collection has also been stable with 99% of the July and August billings collected from tenants and the shortfall relates to the tenants who fall under the Commercial Tenancies Code of Conduct.

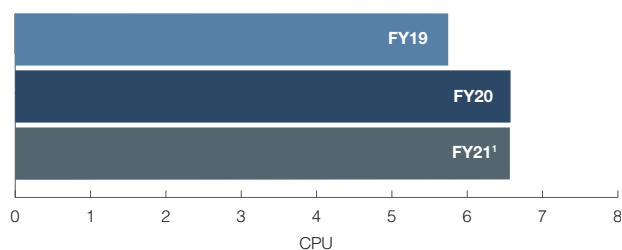
Financial Snapshot

Fund Commencement Date	June 2017
Net Asset Value (NAV)	\$0.9159 ¹
Distribution Rate (cents per unit)	6.60 ²
Weighted Average Lease Expiry (WALE) (years)	6.9 ³
Investor Vote on Term of Fund	June 2024

¹ Based on the 30 June 2020 financial accounts.

² Estimated FY21 full year distribution, consistent with 30 September 2020 quarter distribution of 1.650 CPU.

³ As at 30 September 2020.



Distribution Details

¹ September 2020 Quarter (annualised).

The distribution for the September 2020 quarter is 1.65 CPU, which will be paid on 10 October 2020. This is an increase of 9.0% compared to the June 2020 quarter distribution.

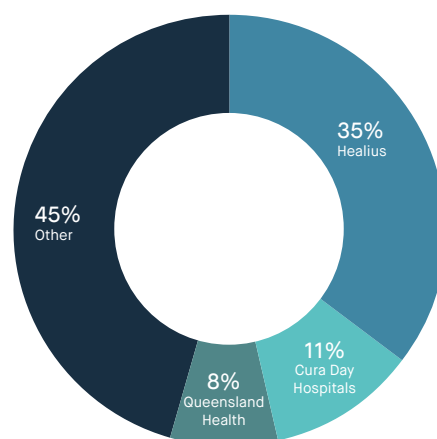
Property	Valuation Dec 2019 (\$)	Previous Valuer	Valuation Jun 2020 (\$)	Jun 2020 Cap Rate
Coorparoo	\$18,250,000	JLL	\$17,800,000	6.00%
Auchenflower	\$41,000,000	JLL	\$41,700,000	6.00%
West Perth	\$8,800,000	Colliers	\$8,800,000	6.25%
Yarrabilba	\$11,950,000	JLL	\$11,950,000	6.00%
Cleveland	\$38,700,000	JLL	\$38,000,000	6.00%
Wollongong	\$2,075,000	JLL	\$2,095,000	6.50%
Murarrie	\$46,750,000	CBRE	\$48,700,000	5.50%
Concord West	\$13,600,000	CBRE	\$13,990,000	5.75%
Albany	\$3,650,000	CBRE	\$3,650,000	6.00%
Maroochydore	\$41,000,000	M3	\$40,000,000	6.25%
West Albury	\$5,600,000	CBRE	\$5,600,000	6.50%
Wagga Wagga	\$9,800,000	CBRE	\$9,800,000	6.00%
Perth Eye	\$11,900,000	CBRE	\$11,900,000	6.25%
Chermside L7&8	\$11,300,000	CBRE	\$11,547,552	6.25%
Murdoch	\$939,719	Internal	\$1,564,333	6.25% ¹
Total	\$265,314,719		\$267,097,085	5.94%²

¹ Cap rate based on 'As If' Complete value for Murdoch development.

² Weighted cap rate excludes Murdoch which is under development.

Portfolio valuation increased by \$1.8 million (1%), which is mainly attributable to capital expenditure and expansion works undertaken at the Auchenflower, Murarrie and Cleveland buildings. The net movement in valuation (excluding capital expenditure) is a minimal \$727,000 (-0.3%) reduction, primarily relating to Cleveland and Maroochydore valuations which reduced in value as a result of vacancy and upcoming expiries.

Top Three Tenants by Net Lettable Area (NLA)



Occupancy is 97% with a WALE by income of 6.9 years as at 30 September 2020¹.

¹ Based on an NLA basis.

Property Statistics

	Initial ¹	Jun 19	Jun 20
Net Asset Backing	\$0.8362	\$0.8652	\$0.9159
Portfolio Occupancy Rate	100%	100%	97%
Weighted Average Lease Expiry (WALE) (years)	8.7	7.6	7.1

¹ Based on the PDS dated 26 June 2017.

Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$134.5m	
Undrawn Amount	\$5.0m ¹	
Loan Expiry	20 December 2022 and 20 December 2023	
% of Debt Hedged	54.1%	
Loan to Value Ratio (LVR)	51.2% ²	57.5%
Interest Cover Ratio (ICR)	3.74x ³	2.00x

¹ Undrawn facility limit could be utilised once Murdoch development is completed.

² The LVR is based on the most recent independent valuations as defined under the debt facility agreement.

³ The stated ICR figures are based on the 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. The Fund's lender NAB requires a minimum ICR covenant of 2.00 times and the Fund's forecast ICR is 3.74 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 57.5% and the Fund's LVR is 51.2%. This means the value of the Fund's properties would need to decrease by 10.96% before the Fund breaches the LVR covenant.

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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