

Centuria

Quarterly Fund Update
September 2020

Centuria Healthcare Direct Medical Fund No.1

(ARSN 602 267 514 APRI HTH0015AU)

Key Points

- Portfolio is 98% occupied with a Weighted Average Lease Expiry (WALE) of 4.2 years¹.
- A special distribution of 0.35 cents per unit (CPU) was paid on 9 October 2020.
- The September 2020 quarter distribution is 1.225 cents per unit (CPU) and was paid on 9 October 2020.
- Agreed terms with tenants for lease renewals, which represents 16% of the portfolio income.
- The Centuria Heathley Direct Medical Fund No. 1 is now known as the Centuria Healthcare Direct Medical Fund No. 1.

¹ As at 30 September 2020.

Fund Summary

The **Centuria Healthcare Direct Medical Fund No. 1** (Fund) paid a special distribution of 0.35 CPU on 28 September 2020. The distribution for the September 2020 quarter is 1.225 CPU, 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.

Since the June 2020 quarter, rent arrears for that quarter were successfully managed, reducing from 29% to 17%.

The Fund has 22% (4,670 sqm) of its leases by income expiring during FY21. Terms have been agreed with the below tenants representing 16% of Fund income.



Property	Address	Tenant	Area (sqm)	Expiry	Expiry post lease renewal
Mildura	87-89 Langtree Avenue, Mildura, VIC	Tristar Medical	1,608	Dec-19 & Apr-20	Dec-27
Highland Park	95 Alexander Drive, Highland Park, QLD	IPN Medical Centres	932	Nov-20	Nov-24
Parkwood	306 Olsen Avenue, Parkwood, QLD	IPN Medical Centres	856	Nov-20	Nov-24
Rockingham	18 Civic Boulevard, Rockingham, WA	Dept of Child Protection	367	Jun-20	Jun-23
Rockingham	18 Civic Boulevard, Rockingham, WA	Rowade Hilwa	112	Oct-20	Nov-23
Rockingham	18 Civic Boulevard, Rockingham, WA	Healius	110	Oct-20	Oct-25

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 Direct Medical Fund No. 1 is now known as the Centuria Healthcare Direct Medical Fund No. 1. The abbreviation, CHDMF1, 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's 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.

The Fund's NAV is \$0.9129 as at 30 June 2020, unchanged since 31 December 2019.

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 rent arrears for the June 2020 quarter has now reduced from 29% to 17%, as communicated in the June 2020 quarterly fund update. The current arrears primarily relates to the tenants who fall under the Mandatory Commercial Tenancies Code of Conduct. In addition, the arrears for the September 2020 quarter is currently 32% and this is expected to reduce to a level similar to the June 2020 arrears.

Financial Snapshot

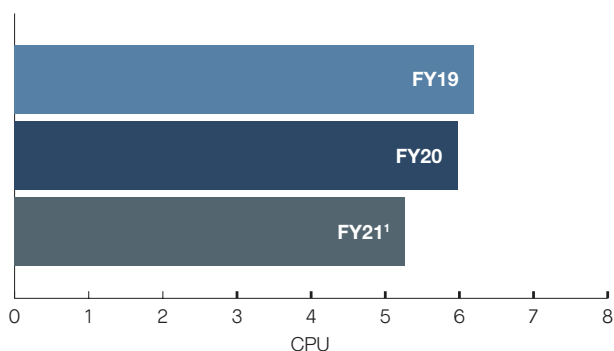
Fund Commencement Date	November 2014
Net Asset Value (NAV)	\$0.9128 ¹
Distribution Rate (cents per unit)	5.25 ²
Weighted Average Lease Expiry (WALE) (years)	4.2 ³
Investor Vote on Term of Fund	November 2021

¹ Based on the 30 June 2020 financial accounts.

² Includes annualised 30 Sep 2020 distribution of 4.90 cents per unit and a special distribution of 0.35 cents per unit.

³ As at 30 Sep 2020, As is,' subject to increase after execution of leases with terms agreed.

Distribution Details



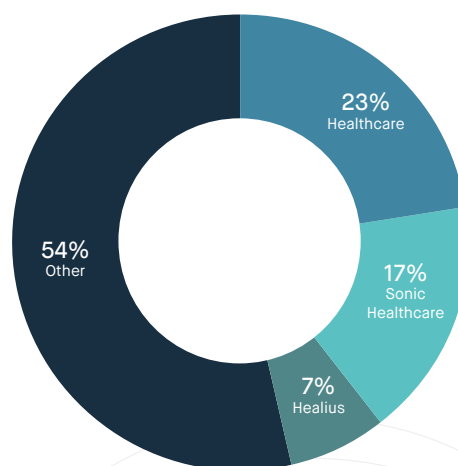
¹ Includes annualised 30 Sep 2020 distribution of 4.92 cents per unit and a special distribution of 0.35 cents per unit.

Property Details

Property	Current Jun20 Book Value (\$)	Current Valuer	Last Independent Valuation Date	Latest Cap Rate	Dec19 Book Value	Dec19 Cap Rate
Mildura	\$4,000,000	Internal	Sep-18	7.50%	\$4,000,000	7.50%
Sydenham	\$3,450,000	CBRE	Jun-20	6.25%	3,500,000	6.25%
Chermside	\$20,350,000	JLL	Jun-20	6.25%	20,100,000	6.25%
North Mackay	\$12,850,000	JLL	Jun-20	6.75%	13,000,000	6.75%
Gympie	\$6,900,000	CBRE	Jun-20	8.25%	7,200,000	7.25%
Secret Harbour	\$7,225,000	CBRE	Jun-20	6.75%	8,100,000	6.75%
Highland Park	\$7,650,000	Internal	Sep-18	6.50%	7,900,000	6.50%
Logan Central	\$11,700,000	CBRE	Jun-20	6.50%	11,300,000	6.75%
Parkwood	\$6,055,000	Internal	Sep-18	6.50%	6,400,000	6.50%
Kogarah	\$13,700,000	JLL	Jun-20	6.75%	11,300,000	6.75%
Spotswood	\$9,300,000	Internal	Sep-18	6.00%	9,450,000	6.00%
Nundah	\$5,800,000	JLL	Jun-20	6.50%	5,800,000	6.50%
Forest Lake	\$10,300,000	JLL	Jun-20	6.25%	9,900,000	6.25%
Rockingham	\$15,750,000	CBRE	Jun-20	7.00%	15,200,000	7.25%
Total	\$135,030,000			6.66%	\$135,250,000	6.64%

In relation to the June 2020 valuations, 10 properties were independently valued and an internal valuation was undertaken for the remaining four properties. There has been a minimal 0.2% reduction in the valuation for June 2020 book value compared to the December 2019 book value. This is mainly driven by upcoming expiries at Highland Park, Parkwood, Secret Harbour and Sydenham as well as the rent relief provided to the tenants under the Mandatory Commercial Tenancies Code. However, terms are agreed with tenants to renew leases at Mildura, Highland Park and Parkwood which is expected to improve each property's valuation.

Top Three Tenants by Net Lettable Area (NLA)



Occupancy is 98.0% with a WALE by income of 4.2 years as at 30 September 2020.

Portfolio Statistics

	Initial ¹	Jun 19	Jun 20
Net Asset Backing	\$0.94	\$0.9053	\$0.9128
Portfolio Occupancy Rate	100%	96.1%	98.0%
Weighted Average Lease Expiry (WALE) (years)	5.0	4.6	4.2

¹ Based on the PDS dated 1 November 2014.

Debt Summary

	Current Period	Loan Covenants
Total Facility Limit	\$65.1m ¹	
Undrawn Amount	\$0.42m ¹	
Loan Expiry	30 November 2021	
% of Debt Hedged	27.8% ¹	
Loan to Value Ratio (LVR)	48.1% ²	55.0%
Interest Cover Ratio (ICR)	4.04x ³	1.75x

¹ As at 30 June 2020.

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 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 1.75 times and the Fund's ICR is 4.04 times as at 30 June 2020.

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 55% and the Fund's LVR is 48.1%.

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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