

Centuria

Quarterly Fund Update
December 2020

Centuria Healthcare Direct Medical Fund No.2

(ARSN 619 641 495 APIR HTH2279AU)

Key Points

- 97% portfolio occupancy with a 7.0-year Weighted Average Lease Expiry (WALE)¹.
- 99% rent collection in October and November 2020.
- December 2020 quarter distribution increased to 1.6875 cents per unit (CPU), an increase of 0.0375 (2.3%) CPU compared to the September 2020 quarterly distribution of 1.65 CPU.
- The in-ground service works are now completed at the new oncology facility at Murdoch.
- Restructured the Fund's interest rate swap, reducing the swap (fixed) rate from 1.69% to 1.18% by extending the hedge until the expiry of the Fund term.
- Snap Fitness has renewed at 16-24 Weippen Street, Cleveland, securing a seven-year lease for 625 sqm, increasing the property's WALE by 0.5 years to 4.1 years.

¹ As at 31 December 2020.

Fund Summary

The **Centuria Healthcare Direct Medical Fund No.2** (Fund) for the December 2020 quarter is 1.6875 CPU, an increase of 2.3% compared to the September 2020 quarter distribution. The distribution will be paid on or around 10 January 2021. 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 Fund commenced establishment works for its new oncology facility at Murdoch in August 2020. In-ground service works were completed in December and basement foundation works are underway. The facility is the first private, integrated, hospital-based radiation oncology, nuclear medicine and theranostics facility south of the river in Perth with an estimated end value of \$14.5 million. Practical completion is currently estimated for March 2022.

The Manager recently restructured the Fund's interest rate swap with NAB, reducing the interest rate from 1.69% to 1.18%, and extending the hedge until June 2024, which aligns with the Fund's expiry. The restructure has reduced the Funds all-in cost of debt and allowed for increased distribution in the December quarter.



Market/COVID-19 Commentary

Since COVID-19, there is 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 October and November's rent collected, and the shortfall relating to the tenants who fall under the Commercial Tenancies Code of Conduct.

Financial Snapshot

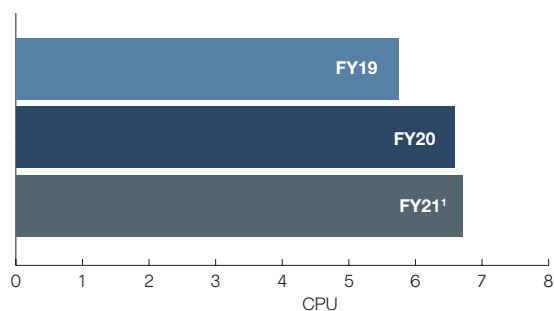
Fund Commencement Date	June 2017
Net Asset Value (NAV)	\$0.9159 ¹
Distribution Rate (cents per unit)	6.7125 ²
Weighted Average Lease Expiry (WALE) (years)	7.0 ³
Investor Vote on Term of Fund	June 2024

¹ Based on the 30 June 2020 financial accounts.

² Estimated FY21 full year distribution based on 1.65CPU for the September 2020 quarter and 1.6875 for the remaining 3 quarters.

³ As at 31 December 2020.

Distribution Details



¹ Annualised forecast.

The distribution for the December 2020 quarter is 1.6875 CPU, which will be paid on or around 10 January 2021. This is an increase of 0.0375 CPU (2.3%) compared to the September 2020 quarter distribution.

Property Details

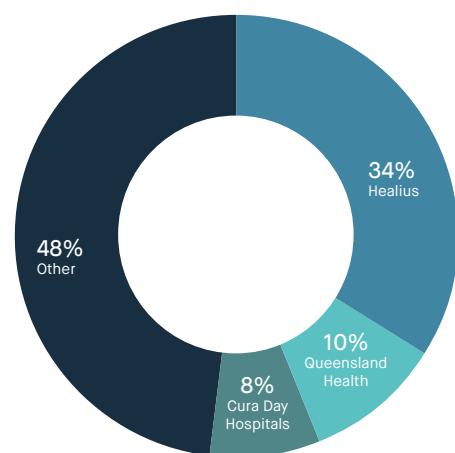
Property	Valuation Jun 20 (\$)	Jun 20 Cap Rate
Coorparoo	\$17,800,000	6.00%
Auchenflower	\$41,700,000	6.00%
West Perth	\$8,800,000	6.25%
Yarrabilba	\$11,950,000	6.00%
Cleveland	\$38,000,000	6.00%
Wollongong	\$2,095,000	6.50%
Murarrie	\$48,700,000	5.50%
Concord West	\$13,990,000	5.75%
Albany	\$3,650,000	6.00%
Maroochydore	\$40,000,000	6.25%
West Albury	\$5,600,000	6.50%
Wagga Wagga	\$9,800,000	6.00%
Perth Eye	\$11,900,000	6.25%
Chermside L7&8	\$11,547,552	6.25%
Murdoch	\$1,564,333	6.25% ¹
Total	\$267,097,085	5.94%²

¹ Cap rate based on 'As If' complete value for Murdoch development. The 'As if' complete value is \$14.5 million.

² Weighted cap rate excludes Murdoch which is under development.

The Manager engaged independent valuers to complete valuations on all investment properties for financial reporting purposes as at 31 December 2020. Given the increase in demand for healthcare properties, we are expecting an increase in portfolio valuation and further update will be provided in the March 2021 quarter fund update.

Top Tenants by Net Lettable Area (NLA)



Occupancy is 97% with a WALE by income of 7.0 years as at 31 December 2020¹.

¹ As at 31 December, inclusive of Genesis Care at Murdoch (4% of portfolio NLA), with a practical completion date of March 2022.

Property Statistics

	Initial ¹	Jun 19	Jun 20
Net Asset Value	\$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%	
Loan to Value Ratio (LVR)	51.0% 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 forecast forward 12 months from 1 July 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. This means the Fund's net income needs to drop by 46.59% before the Fund breaches the ICR covenant.

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 51.0%. 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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