

# Unlisted Property Fund Report

## Centuria Agriculture Fund

June 2022

Open-ended agriculture property fund, targeting initial distributions of 5.25% p.a.

## Centuria Agriculture Fund

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## About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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## Centuria Agriculture Fund

June 2022

The Centuria Agriculture Fund ("the Fund") is an open-ended, unlisted property Fund that invests in agricultural property in Australia. The Fund is managed by Centuria Property Funds Management Ltd ("the Manager"), which forms part of Centuria Capital Limited (ASX: CNI), an ASX-listed property fund manager with a strong track record of delivering returns for investors.

The Fund provides an opportunity to invest in a portfolio of agricultural assets with a focus on high-performing agricultural assets with strong lease covenants. The agriculture sector continues to benefit from worldwide population growth, relatively affordable land values, and increasing demand for Australian food products.

The Fund's initial asset, Flavorite Warragul VIC is a 76.9-hectare glasshouse and farming site located in Warragul, 105km east of the Melbourne CBD. The Property is the flagship property for the Flavorite business and has been responsible for Flavorite becoming the largest greenhouse producer of fruit and vegetables in Australia. With a long weighted average lease expiry (WALE) of 19.4 years and a strong tenant covenant, the \$177M property provides a significant investment in the agricultural sector. The Property rates are highly on ESG criteria with an efficient method of providing produce on an all-year basis through glasshouse farming.

The Fund is acquiring the property at the Flavorite Warragul VIC location, and not the operating business. The Manager intends to acquire additional agricultural properties and, as such, investors should expect the portfolio metrics may change over time. The Manager may temporarily suspend applications for investment based on the Fund's capital requirements, liquidity and investment pipeline. As such, investors should expect the Fund may suspend applications once the full amount of the Offer has been raised and subsequently reopen the Offer to facilitate raising capital for additional acquisitions.

The Manager is seeking to raise \$103.5M through the issue of 103.5M units at \$1.00 per unit ("the Offer"). The units are Stapled Units in the Funds underlying trusts. The Issue Price of \$1.00 per unit will apply until 20 July 2022, after which the Issue Price will be based on the updated Stapled Price, which may be different to \$1.00 per unit. The Offer is available to investors with a minimum \$10,000 investment.

Initial distributions are targeted to be 5.25 cents per unit (annualised). Fees charged by the Fund are at the lower end of what Core Property has seen in the market (see All-in fee analysis).

The Trust has an initial Loan-To-Valuation Ratio (LVR) of 47.5%, which provides a reasonable buffer against an LVR covenant of 60%. The initial Interest Coverage Ratio (ICR) of 3.3x is above the ICR covenant of 2.0x.

Investors will be offered the ability to withdraw some or all of their investment on a quarterly basis (with a limit of 2.5% of NAV per quarter and 10% per annum) as well as a full liquidity offering every 5-years (with the first to be offered around July 2027).

Investor total returns are expected to depend on entry and exit prices and portfolio performance, which is expected to change as additional properties are acquired.

### Investor Suitability

Core Property considers the Fund will appeal to investors seeking a core distribution yield in the agricultural sector. The initial investment portfolio is based on a seed property which is leased to a leading and experience agricultural operator. Investors should expect the portfolio metrics to change as additional properties are acquired over time. Capital growth is expected to be supported by fixed annual rental increases. Investors should be comfortable with an investment in the agriculture sector and recognise the specialised nature of the properties, which is integral to the profitability of the tenant. The Fund is partially liquid and should be considered as a long-term investment.

This report should be read in conjunction with the Target Market Determination provided by the Manager, as required by s994B of the Corporations Act 2001.

### Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

### Fund Details

Offer Open:	20 June 2022
Offer Structure:	Open-ended. The RE may temporarily suspend applications to support the capital requirements of the Fund
Minimum Investment:	\$10,000 <sup>1</sup> , increments of \$1,000 thereafter.
Unit Entry Price:	\$1.00 per unit (up to 20 July 2022) Daily Unit Pricing thereafter.
Net Tangible Asset per unit:	\$0.94 per unit
Liquidity:	Partial Liquidity, via 1) Quarterly (2.5% of GAV) 2) 5-year intervals (full liquidity)
Targeted Distributions:	FY23: 5.25 cpu <sup>2</sup>
Distribution Frequency:	Monthly
Investment Period:	Open-ended fund with a recommended term of at least 5 years.
	1. The RE may accept subscriptions below this amount at its discretion. 2. Based on the initial investment portfolio.

### Fund Contact Details

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### Fund Website

<https://centuria.com.au/caf>

Note: This report is based on the Centuria Agriculture Fund Product Disclosure Statement dated 13 June 2022, together with other information provided by Centuria.

## Key Considerations

**Management Experience:** Well-regarded fund manager with a solid track record of managing property funds, corporate governance, and maintaining and improving occupancy rates. Since 1999 Centuria has completed 44 funds delivering a weighted average total return of 16.8% p.a. and an average total return of 15.3% p.a.

**Agriculture Sector:** The agriculture sector remains well supported by a growing worldwide population, the more affordable nature of Australian land values, and demand for Australian food products. The sector is forecast to maintain healthy revenue growth of around 1.6% p.a. whilst remaining reliant on weather conditions, trade conditions, and more recently a disrupted supply chain. Core Property notes that agricultural properties are generally owned for long periods, with long-term leases in place to provide a stable structure for operators.

**Fund Strategy:** The Fund seeks to provide investors with a regular income stream and the potential for capital growth by investing in a diversified agricultural property portfolio. Target assets will focus on properties leased to reputable tenants with a strong lease.

**Fund Structure:** The Fund is a stapled consisting of two registered managed investment schemes. Investors in the Fund will hold Stapled Units in the underlying trusts CAF I and CAF II.

**The Offer:** The Fund is open-ended and is seeking to raise \$103.5M through the issue of 103.5M units at an Issue Price of \$1.00 per unit. The funds raised will be used to acquire the units of CAF I and CAF II in order to establish the Fund as a stapled entity, restructure debt and to provide additional working capital. The Unit Price is set at \$1.00 per unit until 20 July 2022 and will be price at the updated Stapled Unit Price thereafter. There is no Buy Spread in the Issue Price, however the RE may apply a Buy Spread to take into account transaction costs. The RE may suspend the Offer once it has raised the equity, in order to manage the capital requirements of the Fund. Investors should expect the Fund will open to investment for specific periods in order to raise equity for acquisitions and capital purposes.

**The Property Portfolio:** The Trust's seed asset is Flavorite Warragul VIC, a 76.9ha site located in Warragul, approximately 105km east of the Melbourne CBD. The Property is the flagship property for Flavorite, the largest glasshouse producer of fresh fruits and vegetables in Australia, supplying Coles, Woolworths, Aldi, Costco and Harris Farm Markets. With 33.5 ha of glasshouse facilities and 5.0 ha of netted growing, the Property provides all year growing of tomatoes, capsicums, cucumbers and berries. The key property metrics include: 1) 100% occupancy with a weighted average lease expiry of 19.4 years, 2) a 20-year triple net lease with 4 x 5-year options with fixed rental increases of 3.0% p.a., and 3) a strong tenant covenant with the Flavorite business currently experiencing high growth from a partnership with private equity firm ROC Partners. The Property portfolio is expected to change over time as additional properties are acquired and properties are sold.

**Debt Profile:** The Fund is expected to have an initial Loan to Value Ratio (LVR) of 47.5% against an LVR covenant of 60%. The initial Interest Coverage Ratio (ICR) of 3.3x is above the ICR covenant of 2.0x. The debt is for a 3-year term.

**Initial NTA:** The initial NTA is estimated at \$0.94 per unit. Investors should expect the unit price to change as additional properties are acquired and properties are revalued over time.

**Distributions:** The Manager is targeting distributions of 5.25 cents per unit in FY23, paid monthly, based on the initial property in the Trust.

**Fee Structure:** Core Property considers the Fund's fees to be at the lower end of what we have seen in the market. The Management Fee is 0.60% p.a. of the Trust's Gross Asset Value.

**Total Returns:** As the Fund is open-ended, investors should be aware that total returns will be driven by the timing of their entry and exit prices as well as the changes in the performance of the portfolio.

**Agriculture Risk:** Investors should recognise that assets in the agriculture sector are subject to a number of factors, including weather conditions, operator performance, access to water and prices. These factors may impact the profitability of the tenant and value of properties in the long term.

**Trust Term/Liquidity:** The Fund is open ended and does not have a specified end date. The RE intends to offer a Limited Quarterly Withdrawal Facility (of up to 2.5% of NAV per quarter, capped at 10% p.a.) as well as full liquidity via a Periodic Liquidity Event every 5 years. Investors should view the Fund as providing partial liquidity.

## Investment Scorecard

<b>Management Quality</b>	★★★★★
<b>Governance</b>	★★★★☆
<b>Asset Quality / Portfolio</b>	★★★★☆
<b>Income Return</b>	★★★☆☆
<b>Total Return</b>	★★★☆☆
<b>Gearing</b>	★★★★☆
<b>Liquidity</b>	★★★☆☆
<b>Fees</b>	★★★★☆

## Key Metrics

Fund Structure		Fees Paid	
The Fund consists of stapled units in two registered managed investment schemes. The Fund seeks to invest in a national portfolio of high quality agricultural property assets.		Entry Fees:	Nil
		Exit Fees:	Nil
		Buy/Sell Spread:	Nil / Nil as at June 2022
		Acquisition Fee:	2.0% of purchase price.
		Sale Fee (Disposal Fee):	1.0% of sale price. The Manager will pay any agents fee from this amount.
		Management Fees:	Management Fees: 0.60% p.a. of GAV Expenses: capped at 0.35% p.a. of GAV
		Performance Fee:	20% of the outperformance of the Trust over a total return of 8.0% (pre-tax, net of fees) <sup>1</sup> .
		Note 1: Accrued quarterly, paid annually and subject to a highwater mark (any underperformance will need to be recovered before a performance fee is paid).	
Management		Debt Metrics	
The Investment Manager and Responsible Entity are wholly owned subsidiaries of ASX listed Centuria Capital Limited (ASX: CNI), a highly regarded and experienced real estate manager. Centuria has a successful track record of delivering strong investor returns for over 22 years, with over \$20B of assets under management, with \$19.3B of real estate assets held in listed and unlisted funds.		Initial Debt / Facility Limit:	\$84.1M / \$88.5M
		Loan Period:	3 Years
		Initial LVR / LVR Covenant:	47.5% / 60%
		ICR / Low ICR / ICR Covenant:	3.3x / 3.3x / 2.0x
Property Portfolio As at June 2022		Legal	
No. of Properties:	1	Offer Document:	Centuria Agriculture Fund Product Disclosure Statement dated 13 June 2022
Acquisition Price:	\$177.0M	Wrapper:	Unlisted Property Trust
Property Location:	264 & 318 Copeland Road, Warragul VIC	Investment Manager:	Centuria Funds Management Limited (ACN 607 153 588)
Property Sector:	Agricultural	Responsible Entity:	Centuria Property Funds Limited (ACN 086 553 639, AFSL 231 149)
Key Tenant:	Flavorite Hydroponic Tomatoes Pty Ltd		
Occupancy:	100%		
WALE:	19.4 years		
Return Profile			
Targeted Distribution:	FY23: 5.25 cents per unit		
Distribution Frequency:	Monthly		
Tax advantage:	A portion of the distributions is expected to be tax deferred <sup>1</sup> . Distributions may also have a franked component.		
Estimated Levered IRR (pre-tax, net of fees):	Total returns will depend on the timing of an investor's entry and exit price and the investment performance of the portfolio over time.		
Investment Period:	5 years (recommended) The Fund is open-ended with quarterly liquidity on a limited basis and full liquidity every five years.		
Note 1: Actual tax-deferred component is to be confirmed by the Manager			
Risk Profile			
Property/Market Risk:	Capital at risk is currently dependent on an agricultural asset located in Warragul VIC. The Fund may also acquire additional assets over time which may change the portfolio metrics.		
Interest Rate Movements:	Any change in the cost of borrowings may impact the distributable income of the Fund's underlying investments.		
Property Specific Risks:	Property investments are exposed to a change in market conditions, agricultural conditions, occupancies, usages, prevailing market rents, and economic supply and demand.		
For a more detailed list of the key risks, refer to "Section 6: Investment Considerations and Risks" of the Product Disclosure Statement.			

## Fund Overview

The Fund is an open-ended unlisted property fund that seeks to invest in a portfolio of investment-grade agricultural assets. The Investment Manager is Centuria Funds Management Limited (“the Manager”), which forms part of Centuria Capital Limited (ASX: CNI), an ASX-listed fund manager with over \$20B of assets under management.

The Fund is a stapled entity that will consist of the two registered managed investment schemes, being CAF I and CAF II. Investors who hold units in the Fund will hold Stapled Units and receive the benefit of the income and any capital gains from both CAF I and CAF II.

- Centuria Agriculture Fund I (CAF I) – is a passive investment trust which holds the property of Fund, Flavorite Warragul, VIC.
- Centuria Agriculture Fund II (CAF II) – is a public trading trust that will carry on activities other than passive investments. This may include operating activities and development work for the properties. As a trading trust, CAF II may be liable for corporate tax on any earnings.

Both CAF I and CAF II were established with 50% ownership by Centuria Life Limited, a related entity of the Manager, and 50% owned by Flavorite, the vendor and tenant of the Property.

The Manager has opened the Fund to investors and is seeking to raise \$103.5M through the issue of 103.5M units at an Issue Price of \$1.00 per unit (“the Offer”). The funds raised will be used to purchase Flavorite and Centuria Life Limited’s interests in order to establish the Fund as a stapled entity, restructure debt and to provide additional working capital.

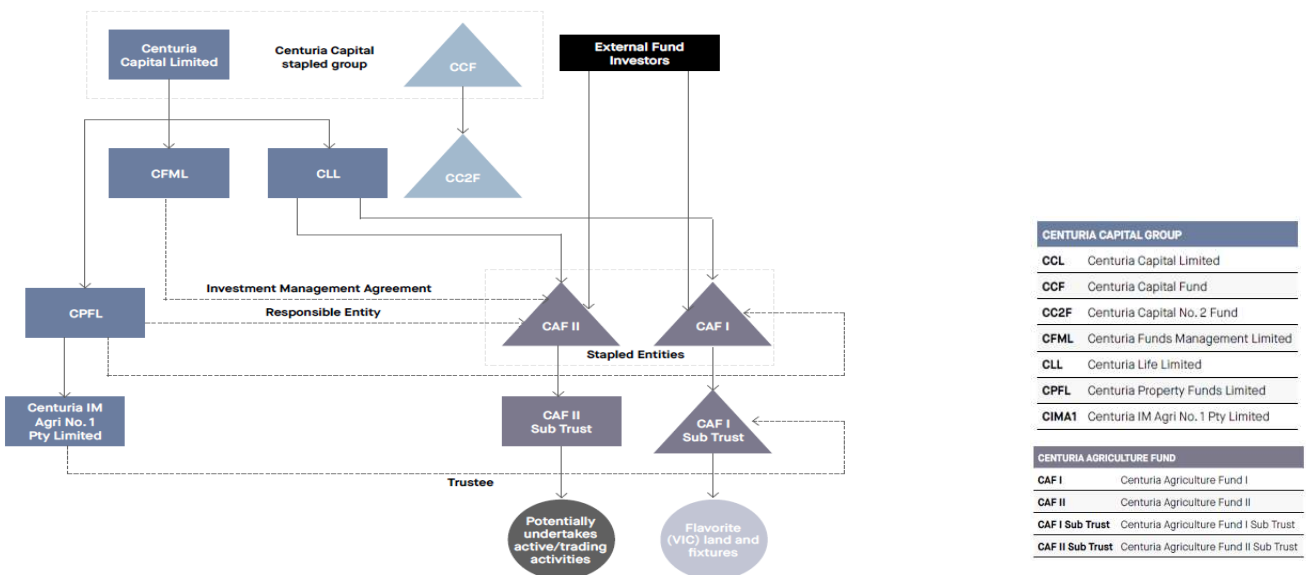
The Offer is priced at \$1.00 per unit until the 20 July 2022 and will move to daily unit pricing thereafter. The allocation of units under the Offer will be processed on a monthly basis.

The Fund is open ended, however the Responsible Entity, Centuria Property Funds Limited (“the RE”) may temporarily suspend accepting applications where it is considered to be in the best interests of investors. The RE will make this decision based on the Fund’s capital requirements, liquidity and investment pipeline and the RE will notify investors on the Fund’s website at [www.centuria.com.au/caf](http://www.centuria.com.au/caf). As such, investors should expect the Fund may suspend applications once the full amount of the Offer has been raised and subsequently reopen the Offer to facilitate raising capital for additional acquisitions.

The RE intends to pay distributions on a monthly basis with a targeted initial distribution of 5.25 cents per unit in FY23. Distributions may have franked component, if earnings are derived in the CAF II trust. The Investors should expect the Fund portfolio to change over time as additional agricultural assets are acquired. Further acquisitions are expected to be acquired via sub-trusts which will be wholly owned by either CAF I or CAF II. The targeted distributions may also change as the portfolio changes.

The Manager intends to offer withdraws to investors via a Limited Quarterly Withdrawal Facility of 2.5% of NAV per quarter, (capped at 10.0% of NAV per annum) as well as full liquidity via a Periodic Liquidity Event every five years.

Figure 1: Fund structure



Source: Core Property, Centuria

## Investment Strategy

The Fund's investment objective is to provide investors with a regular income stream and the potential for capital growth by investing in a diversified agricultural property portfolio. The fund's strategy is to:

- target a national portfolio of investment-grade agricultural and agri-logistics properties;
- aggregate a portfolio of scale, targeting properties with strong ESG credentials;
- focus on properties leased to reputable tenants with strong lease covenants;
- focus on higher revenue producing sectors such as protected cropping, intensive perennial cropping, associated water licenses, infrastructure and agri-logistics facilities;
- obtain strategic allocations across geographic location, agricultural subsector and tenant mix; and
- increase asset value and production capacity through carefully delivered capital investment.

The Fund will invest in direct agricultural property and may also invest in other Centuria agriculture-related funds as well as operating assets associated with agricultural property, ASX-listed A-REITs and cash. The Fund's target asset allocation is to invest 90% - 100% in agricultural properties (through direct or indirect investments), with a 0% - 10% allocation in A-REITs, cash or cash-like products.

The Manager has set out the criteria of the sectors and subsectors that it intends to target for the properties in the Fund. The Fund's core focus is in the Precision Farming Sector and Agri-Logistics Sector, which have target allocations of between 30% - 100%. The Fund's seed asset, the Flavorite Warragul property, is part of the Precision Farming Sector. The Fund's target allocations are a long-term guide only and, at times, the Fund may be different, and the Manager may change the target allocations in the future.

Figure 2: Long-Term Target Sector Allocation

Sector	Examples	Target Sector Allocation
<p><b>Precision farming sector</b></p> <ul style="list-style-type: none"> <li>■ The Investment Manager will target properties with modern agriculture technology, including precision farming of perishable products via protected cropping environments such as glasshouses, netted cropping, and vertical farming.</li> <li>■ The Investment Manager will target non-protected farming with other controlled factors and methods such as access to water, substrate growing and automated harvesting.</li> <li>■ The Investment Manager will focus on top quartile farmers, on properties with exceptional underlying agricultural attributes in above-average value sectors.</li> </ul>	<ul style="list-style-type: none"> <li>■ Fruits</li> <li>■ Vegetables</li> <li>■ Seeds</li> <li>■ Tree nuts</li> <li>■ Vineyards</li> </ul>	30% - 100%
<p><b>Agri-logistics sector</b></p> <ul style="list-style-type: none"> <li>■ The Investment Manager will target properties that are aligned to the agricultural supply chain. These properties will include assets relating to the processing, packaging, storage and distribution of agricultural products.</li> <li>■ The Investment Manager will focus on operators who are directly aligned to agriculture operators nationally.</li> </ul>	<ul style="list-style-type: none"> <li>■ Processing facilities</li> <li>■ Storage facilities</li> <li>■ Packaging facilities</li> <li>■ Distribution facilities</li> </ul>	30% - 100%
<p><b>Premium non-perishables sector</b></p> <ul style="list-style-type: none"> <li>■ The Investment Manager will target properties that produce non-perishable products using best-in-class farming practices, focusing on production unit location, modern agriculture technology, quality output and impact on the surrounding environment.</li> <li>■ The Investment Manager will focus on experienced operators with a proven track record of performance through challenging weather cycles.</li> </ul>	<ul style="list-style-type: none"> <li>■ Cereal (wheat, barley, oats)</li> <li>■ Grain (sorghum corn)</li> <li>■ Oilseeds (sunflower, canola)</li> </ul>	<25%
<p><b>Animal farming sector</b></p> <p>The Investment Manager will consider properties producing animal protein and associated byproduct where there is a compelling opportunity, and the underlying operator is demonstrating best practices in the minimisation of environmental/social impacts.</p>		<25%
<p><b>Development opportunities</b></p> <p>The Investment Manager will seek to identify development opportunities both for existing assets within the Fund from time to time, as well as new target assets where the farming operation can be expanded and/or improved through capital expenditure funding.</p>		<30%
<p><b>Water rights</b></p> <p>The Investment Manager will consider water licensing, where a compelling opportunity is presented.</p>		

Source: Centuria

## Unit price

Core Property has reviewed the Fund's calculation of the Issue Price and considers it to be appropriate.

The Issue Price is determined by the prevailing Stapled Unit Price of the Fund plus any applicable Buy Spread on the date the Stapled Units are issued.

There is currently no Buy Spread, however, the RE may apply a Buy Spread to cover additional transaction costs. Any proceeds from a Buy Spread are retained as an asset of the Fund.

**The Initial Stapled Unit Price** has been set at \$1.00 per unit until 20 July 2022.

**From 20 July 2022** the Stapled Unit Price will be determined by the prevailing Net Asset Value of the Fund, plus the unamortised value of acquisition costs, divided by the number of Stapled Units on Issue.

- The Stapled Units Price is also adjusted for any amortisation of acquisition costs in unlisted property funds that the Fund may invest in. The acquisition costs are amortised over a term of five years, or earlier if a property is sold.

Investors should expect the Stapled Unit Price to change over time as properties are revalued and additional properties are acquired.

**Stapled Acquisition Units** – The RE may, from time to time, issue Stapled Acquisition Units in order to secure assets for the Fund. The Stapled Acquisition Units will rank equally with ordinary Stapled Units, except that the proceeds from the issue of ordinary Stapled Units may be used to withdraw any Stapled Acquisition Units in priority to the ordinary Stapled Units.

## Liquidity / exit strategy

The Fund is open-ended and does not have a specified end date. The RE will provide investors with an opportunity to withdraw their investment on a quarterly basis as well as at 5-year intervals.

**A Limited Quarterly Withdrawal Facility** will be offered every March, June, September and December.

- The Fund will offer withdrawals for an amount of up to 2.5% of the Net Asset Value of the Fund, capped at 10% p.a.
- The minimum withdrawal amount is \$10,000, which may be varied by the RE.
- If the aggregate value of withdrawal requests exceeds the quarterly available funds, the RE will scale back the withdrawal requests on a pro-rata basis. The unmet portion of the withdrawal request will carry over to the following quarter as a new withdrawal request unless the investor requests otherwise.
- The first Limited Quarterly Withdrawal Facility will be offered in September 2022.

**A Periodic Liquidity Event** will be offered every 5-years.

- The RE will provide notice to investors at least four months before the offer of the liquidity event.
- The first Periodic Liquidity Event is expected to be offered in July 2027 and every 5-years thereafter.
- Investors may apply to withdraw some or all of their investment.
- In order to fulfil the Periodic Liquidity Event, the RE may consider selling one or more of the Fund's assets, raising new equity, take on additional debt, or a combination of these measures.
- The RE will endeavour to satisfy withdrawal requests within 6 months, however will have up to 12 months to meet the requests. If it is not possible to meet the withdrawal requests after 18 months, the RE will call a Unitholders meeting and propose an alternative redemption strategy for Unitholder consideration and approval.

**The Withdrawal Price** under all withdrawal offers will be determined by the Stapled Unit Price less a Sell. There is currently no Sell Spread, however the RE may apply a Sell Spread in future to cover additional transaction costs. Any proceeds from a Sell Spread are retained as an asset of the Fund.

The RE may also vary, suspend or cancel any withdrawal facility if it deems it to be in the best interests of all investors.

The RE may also consider applying to list the Stapled Units on the ASX.



## The Agriculture Sector

The outlook for the agribusiness sector in Australia remains positive supported by the growing worldwide population, the more affordable nature of Australian land values compared to other countries, and the increasing demand for Australian food products. The sector benefits from Australia's proximity to Asian markets and a stable political structure and legal system. Notwithstanding this, the sector is dependent on weather conditions, trade conditions, and more recently a disrupted supply chain as a result of COVID-19. According to the Australian Bureau of Statistics, Australia has around 377 million hectares of agricultural land with 87,800 agricultural businesses. While the total number of businesses within the industry has been declining, economies of scale of individual businesses basis are increasing. The majority of agricultural land is used for livestock grazing (325 million hectares), crops (31 million hectares), and forestry (0.7 million hectares) with 19 million hectares not used for agricultural production.

Large-scale farms (greater than 70 hectares) account for around 60% of the gross value of vegetable production, mid-scale farms (5-70 hectares) account for around 30% and small-scale farms (<5 hectares) accounting for 10%. Around half of all vegetable growers sell their produce to a wholesale vegetable market in their state. The larger farms (more than 70 hectares) have a greater share of vegetables being sold directly to retailers (such as Coles or Woolworths). The average area of planted vegetables by these farms is over 200 hectares per farm. These vegetable-growing farms earned substantially larger cash incomes compared to farms selling to other markets.

Vegetable-growing farms that received more than 50% of their total vegetable receipts by selling directly to processors were mostly medium-sized farms, with mainly outdoor vegetable operations and lower average rates of return. Around one-third of these farms planted 5 to 20 hectares of vegetables and another one-third planted around 20 to 70 hectares of vegetables. The average area planted to vegetables by these farms was around 41 hectares per farm.

Australia is a net exporter of fresh vegetables. For the year ending June 2021, Australia exported 215,374 tonnes of fresh vegetables, against imports of 26,900 tonnes. Vegetables such as broccoli, celery, lettuce, carrots, and mushrooms in particular all stand to benefit from growing export markets. Positive outlooks in the industry will come primarily from vegetables with a stable local consumption level and a growing export market.

### Vegetable Market Overview

For the year ending June 2021, around 3.8 million tonnes of vegetables were produced in Australia (an increase of 3% on the year ended June 2019), with a production value of A\$4.9 billion. The proportion of fresh vegetables supplied was 87.6 kg on a per capita basis. Potatoes are the most valuable crop grown in Australia as measured by value of production, however, with their price per tonne being significantly lower than those of many other vegetable crops, this is mostly due to the large tonnages produced. Many of the other most valuable vegetable crops in Australia also reflect an overall higher price per tonne, rather than a value supported by weight of production.

Figure 3: Vegetable Produce in Australia

Vegetable Production	2021 Volume (tonnes)	2021 Value (\$M)	Vegetable	2021 Volume (tonnes)	2021 Value (\$M)
Potatoes	1,458,991	807.3	Beans	35,641	74.6
Tomatoes	472,209	562.2	Leafy Asian Vegetables	30,547	71.7
Leafy Salad Vegetables	74,571	495.0	Peas	35,248	68.9
Mushrooms	68,936	393.1	Cauliflower	84,350	63.1
Broccoli/Baby Broccoli	80,264	258.9	Celery	65,043	60.5
Carrots	335,527	256.0	Ginger	5,184	55.5
Fresh Herbs	13,802	229.8	Cabbage	59,635	33.7
Onions	271,930	203.2	Garlic	3,406	29.4
Capsicums	81,735	196.6	Brussel Sprouts	6,263	27.3
Cucumbers	90,998	172.7	Leeks	11,099	27.3
Head Lettuce	139,023	171.9	English Spinach	6,925	22.2
Sweet Corn	77,090	117.1	Eggplant	9,177	21.4
Other Vegetables	25,160	115.0	Parsnips	3,538	11.2
Sweet Potatoes	104,206	91.5	Beetroot	14,044	10.8
Pumpkins	115,982	89.4	Chillies	2,064	9.8
Zucchini	41,399	84.4	Artichokes	456	1.2
Asparagus	6,857	81.1	<b>Total</b>	<b>3,831,301</b>	<b>4,913.5</b>

Source: Hort Innovation

## The Property Portfolio

The Fund's seed asset is Flavorite Warragul, located at 264 & 318 Copelands Road, Warragul VIC. The Property is a 76.9-hectare site located on the eastern edge of the Warragul township, approximately 105km east of the Melbourne CBD. The Property is used to produce a variety of horticulture crops including tomatoes, cucumbers, chillies and berries. Situated on 3 adjoining freehold titles, the facility provides 33.5 hectares of glasshouses, 50,000 sqm of netted blueberry area and 16,083 sqm of support infrastructure such as warehousing and packaging.

Flavorite is the largest glasshouse producer of fresh fruits and vegetables in Australia with key customers such as Coles, Woolworths, Aldi, Costco and Harris Farm Markets. The Property is the flagship property for the Flavorite business, representing 52% of Flavorite's glasshouse facilities. The glasshouse structures were built between 2001 – 2021, with a weighted average age of 9 years.

The Property was acquired by the Fund in January 2022 for \$177.0M on a sale and leaseback with an initial term of 20 years, with 4 x 5-year options.

The Property is the seed asset for the Fund. As such, investors should expect the portfolio metrics to change as the Manager intends to acquire additional agriculture properties for the Fund over time.

Figure 4: Property Portfolio Metrics

Property	Acquisition Date	Site Area	GLA	Tenant	Valuation	Initial Yield	Occupancy %	WALE
Flavorite Project – 264 & 318 Copelands Rd, Warragul VIC	January 2022	76.9 ha	33.5 ha	Flavorite Hydroponic Tomatoes Pty Ltd	\$177.0M	5.65%	100%	19.4 years

Source: Centuria

Figure 5: 264 & 318 Copelands Road, Warragul VIC



ASSET OVERVIEW				
BUILDING	BUILT	AREA	PRODUCE	
Glasshouse C	2001	40,000 sqm	Capsicums Cucumbers	
Glasshouse D	2008	108,752 sqm	Capsicums	
Glasshouse E1	2018	42,900 sqm	Tomatoes	
Glasshouse E2	2014	57,038 sqm	Tomatoes	
Glasshouse F1	2020	42,000 sqm	Tomatoes	
Glasshouse F2	2021	44,000 sqm	Tomatoes	
<b>Total glasshouse</b>		<b>334,690 sqm</b>		
Blueberries (under net)	2020	50,000 sqm	Blueberries	
Carrot shed	2010	1,260 sqm	Carrots	
Packing, distribution & admin	2012/15	9,833 sqm	N/A	
Authority	Source	License no.	Volume (ML)	Purpose
Southern Rural Water	Bore - Aquifer	BEE022711	475	Irrigation
Southern Rural Water	Surface - Moe River	BEE025906	26	Irrigation
501				

Source: Centuria

## Property Valuation

An independent valuation has been undertaken on the Property by a nationally recognised independent valuation company. The Property was valued at \$177M, which is in line with the acquisition price. A summary of the valuation assumptions is provided below.

Figure 6: Property valuation summary

Property	Flavorite Project – 264 and 318 Copelands Road, Warragul VIC
<b>Title</b>	100% Freehold
<b>Ownership</b>	100%
<b>Site Area</b>	76.88 hectares
<b>Zoning</b>	FZ - Farming Zone
<b>Gross Lettable Area</b>	33.5 hectares of glasshouses, 5 hectares of netted blueberry plantings and 9,833 sqm of packing, distribution and ancillary sheds
<b>Weighted Average Lease Expiry (WALE)</b>	19.4 years
<b>Occupancy</b>	100%
<b>Net Passing Income</b>	\$10.0M p.a.
<b>Net Market Income</b>	\$10.0M p.a.
<b>Acquisition Price</b>	\$177.0M
<b>Valuation</b>	\$177.0M
<b>Passing Initial Yield</b>	5.65%
<b>Capitalisation Rate</b>	5.625%
<b>DCF Valuation Metrics</b>	Discount Rate 7.50%, Terminal Yield 6.63%
<b>Valuer</b>	Knight Frank, April 2022
<b>Rate per Gross Building Area</b>	\$504 per sqm
<b>Rate per Site Area Improved</b>	\$230 per sqm

Source: Knight Frank

## The Flavorite operations

**History:** Flavorite is the largest owner and operator of glasshouse assets in Australia. The business has its origins in 1988 when glasshouse pioneer Mark Millis purchased a small farm in Tynong, Victoria to grow open-field tomatoes. After battling inclement weather for five years, the farm began building small greenhouses to better manage the production. In 1993 he approached a long-time friend and fresh produce marketer, Warren Nichol, to go into partnership and formed Flavorite utilising Warren’s farm in Warragul with the first greenhouses made of a steel frame and plastic film. Between 1995 and 2000 Flavorite built an additional 6 greenhouses to expand production and meet demand. Through connections with the supermarkets, Flavorite were able to supply Coles and Safeway with truss tomatoes sold as singles. In 1999 the business began packing the tomatoes on the truss, which resulted in high demand. In 2001 Flavorite built its first glasshouse at Warragul to better manage temperatures and pest outbreaks. A second glasshouse was built shortly after in 2002 and in 2014 Flavorite constructed the biggest semi-closed glasshouse in the southern hemisphere, allowing the business to supply tomatoes nationally and all year round. At the same time, Flavorite established a new 10.6 ha glasshouse in Katunga Victoria. The Flavorite management team now includes family members who have been involved with the business for decades with the management team led by Mike Nichol (Chief Executive Officer) and Chris Millis (Chief Operating Officer).

**Recent Growth:** In July 2020 private equity firm ROC Partners acquired a major stake in Flavorite. ROC Partners is an alternative investment management that was established in 2014 following a management buyout of Macquarie Group Limited’s private equity business. ROC Partners manages capital for large superannuation funds, family offices, foundations, endowments and high net worth individuals. As at June 2021, ROC Partners had A\$8.2B of assets under management, with \$1.7B of AUM in food and agriculture.

Partnering with ROC Partners has seen rapid expansion of the business including the acquisition of other glasshouse businesses Murphy Fresh (Mansfield VIC) and Tatura Fresh (Tatura VIC) in October 2021, a diversification into blueberry and cucumber plantings at the Warragul site, a new 10 ha netted blueberry production area in June 2021 and the completion of an additional 4.5 ha glasshouse in August 2021. The growth initiatives are expected to deliver FY22 sales revenue of over \$165M, from \$137M in FY21. The business is targeting sales to be over \$200M in FY23.

**Operations:** Flavorite has glasshouse operations across 4 locations in Victoria, with total glasshouse area of 64.7 hectares. The Warragul location provides 33.5 hectares, or 52% of Flavorite’s total glasshouse area. Flavorite’s other glasshouse locations are location to the north of the Property at Katunga VIC (10.6 ha, or 16%), Tatura VIC (15.3 ha, or 24%) and Mansfield VIC (5.3 ha, or 8%).

The Flavorite business is recognised as innovative pioneers in glasshouse production in Australia, with some notable features:

- Flavorite was the first business in Australia to use heated glasshouses at scale to produce a year-round supply. Plants are protected all year round by the glasshouse environment, providing optimum growing conditions.
- The glasshouse environment utilised integrated pest management systems to use living organisms as natural control mechanisms in the growing environment. This approach reduces the need for pesticides and chemicals.
- The glasshouses utilise water collection systems in combination with a UV water sterilisation process to recycle valuable water, providing up to 90% of the water requirements at each location. During the winter months the water is heated and fed through a pipe system to heat the glasshouses and provide optimum growing conditions all year round.
- Glasshouse production is estimated to be around 10x more productive per sqm than the field, and uses around 5x less water than an open field.
- The glasshouses use diffused glass which scatters the light as it enters the glasshouse, providing better photosynthetic activity for the plants.
- The business utilises its own purpose-built nursery to cultivate seeds and explore new crop varieties.
- Flavorite is strong supporter of Foodbank and Second Bite, who rescue surplus food across the retail network and provide this to people in need.

## Water and irrigation

The Property’s water supply is primarily sourced via a rainfall harvesting system which captures up to 80% - 90% of total water requirements. Rainwater is captured off the glasshouses’ roofs and stored in three dams onsite which total 200 megalitres. The water then travels to 21 holding tanks on site before passing through a filtration treatment plan, sand and pod filters and a fertiliser solution is added. Once the water is of good quality it is then applied to the produce via dripper lines.

The Property also has licenses to access backup water via bore water and river water supply totalling 501 megalitres. The bore water provides an annual allocation of 475 megalitres from an onsite dam. The Property also has access to water which can be pumped from the billabong adjacent to the Moe River tributary, providing annual access of up to 26 megalitres of water.

## Tenants, leases and income

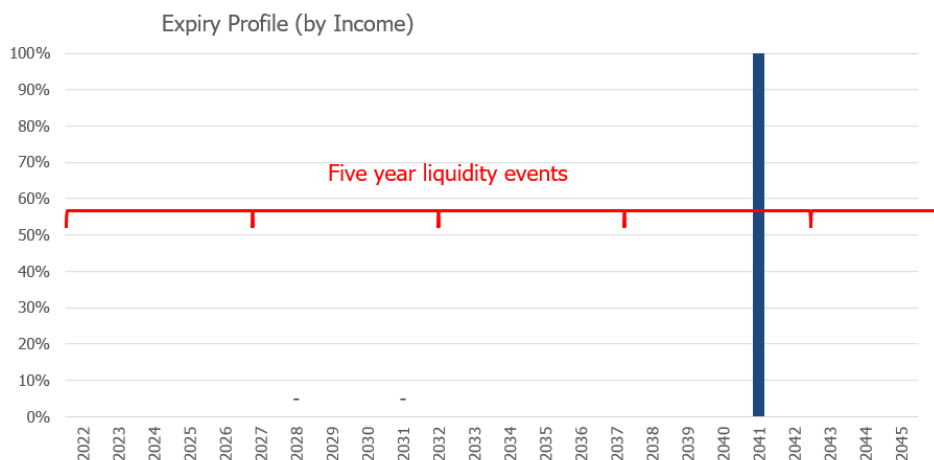
A summary of the lease is provided below

Figure 7: Tenant Profile

Metric	Terms
Lessee	Flavorite Hydroponic Tomatoes Pty Ltd
Site Area	76.88 ha
Lease Period	1 Dec 2021 -30 Nov 2041
Lease Structure	Triple Net – Lessee is responsible for all outgoing including rates, tax, charges, assessment, contributions, levies and fees and all maintenance.
Lease Term	20 years
Options	4 x 5 years
Commencing rent	\$10.0M p.a.
Rent review	3.0% p.a. (Market review at the commencement of each option to a maximum of 10%.)
Bank Guarantee	12 months

Source: Centuria

Figure 8: Portfolio lease expiry



Source: Centuria, Core Property

## Market sales and rental evidence

The following is a review of comparable sales and rental transactions for the Property, as identified in the independent valuation.

### Sales evidence

- There have been very limited directly comparable glasshouse properties sold in recent times, as the majority of assets are typically owner-occupied.
- In March 2018 the "Perfection Glasshouse", Germantown Road, Korunye, Two Wells SA was sold by Perfection Fresh to BlueSky Funds. The property sold for \$112.0M, with a 163.3ha site, GLA of 35.2 ha and an initial yield of 7.5% on a sale and leaseback for 25 years with 3x10 year options. The glasshouse component is estimated at \$103.65M, equivalent to around \$294 per sqm (range \$250 - \$325 per sqm depending on the age of each glasshouse). The Favorite Warragul property is sold at an average price of \$230 per sqm for the glasshouses.
- The independent valuer has also compared the Property to other agricultural/industrial properties over 2020 – 2021 with initial yields of 3.62% - 5.77% (average 4.68%).

### Rental evidence

- The Perfection Fresh Glasshouse, in Two Wells SA, was sold in March 2018 on a sale and leaseback with a net rental of \$24 per sqm over the main glasshouse. The Favorite Warragul property is being sold with an equivalent rent of \$28 per sqm for the glasshouses, which the independent valuer considers to be within market parameters, albeit at the upper of the expected market range.
- The independent valuation has estimated the replacement costs of the Favorite Warragul property to be between \$160M (existing) and \$236M (new). This equates to an occupancy cost of 4.2% - 6.2%.

## Financial Analysis

Core Property has undertaken a financial forecast for the Fund, based on the Manager's assumptions for the initial property. The key observations are:

- The forecast is based on the Flavorite Warragul property in the portfolio and does not consider any further acquisitions.
- The forecast assumes the full amount of equity has been raised with 103.5M stapled units in the Fund on issue.
- Assumes the Flavorite Warragul property has an average rent of \$10.1M in FY23. Based on a commencing net rental income of \$10.0M p.a. from 1 December 2021, increasing by 3.0% to \$10.3M p.a. on 1 December 2022.
- The forecast is based on all the earnings being derived in the CAF I trust, where the Property is held.
- Based on the Flavorite Warragul property, Core Property estimates the Fund can support a distribution of 5.25 cents per unit in FY23. The estimates include an amount of \$0.5M being retained as cash reserves.

The forecasts should be seen as indicative only as the Fund is open-ended and the financial position is likely to change as new properties are acquired and new equity and debt are raised. In particular, investors should note that:

- Distributions are likely to increase if the Fund acquires properties on higher yields, or if increased leverage is utilised.
- Distributions are likely to reduce if the fund acquires properties on lower yields, or if less leverage is used, or if the Fund accepts new equity subscriptions and is unable to deploy the capital to acquire properties with sufficient returns.

A summary of Core Property's forecasts based on these assumptions is presented below.

Figure 9: Profit & Loss Forecast and Pro Forma Balance Sheet

Profit & Loss - Forecast \$M	12 months to 30 June 2023
Net Property Income	10.1
Expenses	-0.1
Management Fees	-1.1
Net Interest Expense	-3.1
<b>Total Available for Distribution</b>	<b>5.9</b>
Increase in retained earnings	-0.5
<b>Cash Distribution - \$M</b>	<b>5.4</b>
Cash Distribution per unit (cents)	5.25 cpu
<b>Annualised distribution yield (cash)</b>	<b>5.25%</b>
Balance Sheet – \$M – Pro Forma	Pro forma on acquisition \$M
Cash	3.2
Investment Property	177.0
Other Assets	-
<b>Total Assets</b>	<b>180.2</b>
Borrowings	84.1
Capitalised borrowing costs	-0.8
<b>Total Liabilities</b>	<b>83.3</b>
<b>Net Assets</b>	<b>96.8</b>
<b>NTA per Unit</b>	<b>\$0.94</b>
LVR	47.5%

Source: Core Property

## Sources and application of funds / Initial NTA

The following table show how the Fund intends to use the funds being raised and the impact that costs have on the underlying Net Tangible Assets (NTA). The starting NTA is an important consideration. It should be assessed in the context of statutory costs and fees paid to the Manager, which dilute investors' return over the term of the Trust. Core Property has calculated the NTA based on the initial asset in the Fund. The initial NTA is calculated at \$0.94 per unit, which includes capitalised borrowing costs. Core Property estimates that if borrowing costs were not expensed, the initial NTA would be \$0.93 per unit. Investors should note that the NTA is expected to change as new properties are acquired and properties are revalued over time.

Figure 10: Sources and application of funds / Initial NTA

Sources and application of funds	\$M	% of total funds	Initial NTA	\$ per unit
<b>Sources of funds</b>				
Equity subscriptions	\$103.5M	55.2%	Issue Price	\$1.00
Bank debt	\$84.1M	44.8%	Less:	
<b>Total sources of funds</b>	<b>\$187.6M</b>	<b>100.0%</b>	Acquisition costs	-\$0.02
<b>Application of funds</b>			Fund establishment costs	-\$0.02
Purchase price	\$177.0M	94.4%	Property Acquisition Fee	-\$0.03
Acquisition costs (stamp duty)	\$2.3M	1.2%	Add:	
Fund establishment costs	\$1.6M	0.9%	Capitalised borrowing costs	+\$0.01
Acquisition fee	\$3.5M	1.9%		
Working Capital	\$3.1M	1.7%	<b>Initial NTA per unit</b>	<b>\$0.94</b>
<b>Total application of funds</b>	<b>\$187.6M</b>	<b>100.0%</b>		

Source: Centuria, Core Property

## Debt Facility & Metrics

The Fund has an existing debt facility which is expected to be extended for a new three-year term. The debt facility has a limit of \$88.5M and is currently drawn to \$84.1M, providing \$4.4M of undrawn capacity.

- The initial Loan to Valuation Ratio (LVR) is 47.5%, against a bank LVR covenant of 60%. Core Property calculates that the value of the Property must fall by 20.8% for the bank LVR covenant to be breached.
- The initial Interest Coverage Ratio (ICR) is calculated to be 3.3x against a bank ICR covenant of 2.0x. Core Property estimates the net operating income must fall by 31.5% to breach the ICR covenant.
- Core Property notes the Manager has assumed an average all-in cost of debt of 3.68% p.a. for FY23, increasing to an average of 4.00% p.a. thereafter.

Investors should be aware that the debt will need to be extended or replaced, to cover the full trust term or for additional properties. Any change in the cost of debt may impact investor returns.

Figure 11: Debt Metrics

Details	Metric
Bank / Financier	Rabobank
Security	First ranked mortgage with a general security agreement over the assets of the Fund.
Drawn debt/ Debt facility limit	\$84.1M / \$88.5M
Loan Period	3 years
% Hedged / Fixed	Nil. The Manager will consider hedging up to 50% of the debt.
Average cost of debt	3.68% (Year 1)
Initial LVR / LVR Covenant	47.5% / 60%
Initial interest covered ratio (ICR) / (Lowest ICR) / ICR covenant	3.3x / 3.3x / 2.0x
Amount by which valuation will have to fall to reach a 60% LVR	20.8%
Decrease in rental income to reach an ICR of 2.0x	31.5%

Source: Core Property, Centuria

## Fees Charged by the Trust

Overall, Core Property considers the fees charged to be low compared for the nature of the Fund (see All-in fee analysis). A summary of the Fees charged by the Fund is presented below.

Figure 12: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee	Nil	
Exit Fee	Nil	
Buy / Sell Spread		
Establishment Fee (Property Acquisition Fee)	2.0% (excl GST) of the purchase price of the property.	The Acquisition Fee is at the high end of the industry average of 1.5% - 2.0%.
Property Disposal Fee	Up to 1.0% (excl GST) of the sale price of the property.	The Disposal Fee is at the low end of the industry average of around 1.0% - 2.0%. Any associated sales agent's fees will be paid by the Manager from this amount.
Management Fees & Expenses	Management Fee of 0.60% p.a. of the Gross Asset Value (GAV) of the Fund.  Expenses are capped at 0.35% p.a. of the Gross Asset Value (GAV) of the Fund.	The total Management Fees and Expenses is capped at 0.95% p.a. of GAV. Core Property considers this to be at the midpoint of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Abnormal Expenses	Abnormal Expenses are not included in the Expense cap and relate to abnormal events such as the cost of preparing new offer documents, marketing material, convening and hosting meetings and any legal proceedings. The Manager has allocated an amount of 0.22% p.a. of the GAV for these expenses.	Core Property expects that some portion of abnormal expenses is likely to be incurred each year.
Indirect Costs	Estimated to be 0.01% p.a. of the Fund's Net Asset Value	The amount related to costs incurred from the assets of the Fund or in the interposed vehicles and is already reflected in the stapled unit price.
Performance Fee	20% (excluding GST) of the Trust's performance above a total return of 8% after fees and costs. <ul style="list-style-type: none"> <li>■ Calculated and accrued quarterly and reflected in the unit price.</li> <li>■ Paid annually from the assets in the Fund.</li> <li>■ Subject to a high watermark basis. Any prior underperformance must be recovered before a performance fee is paid.</li> </ul>	Core Property considers the Performance Fee to be in line with what is charged in the market for similar products. The high watermark is considered appropriate to incentivise the Manager to recover any underperformance.

Source: Centuria, Core Property

## All-in fee analysis

In the table below, Core Property analyses how much of the Fund's cash goes to the Manager in fees, and how much is left over for investors as a percentage of the total cash flow. The calculations are based on a five-year investment period in the Favorite property, with no performance fee being charged.

Overall, Core Property estimates that the Manager takes 7.3% of the total cash generated by the Fund. Core Property considers the fees paid to the Manager to be at the low-end when compared to similar products, which are typically around 7% - 9%. In terms of fees paid to the Manager, Core Property estimates that 31.2% of the estimated fee is paid upfront and the remainder relates to ongoing management fees. Core Property stresses that the amounts are based on the initial property portfolio and are estimates of how much investors will receive and are not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.



Figure 13: Fees in Perspective – over an estimated 5-year period

<b>Core Property estimates that for every \$1.00 of equity invested the Fund can return:</b>	<b>Amount per \$1.00 unit</b>
Principal repayment to investors:	\$1.000
Income and capital gains to investors:	\$0.395
<b>Total cash to investors:</b>	<b>\$1.395</b>
Acquisition fee:	\$0.034
Base management fee:	\$0.056
Disposal fee:	\$0.019
Debt Establishment & Refinance fee(s):	\$0.000
<b>Fees for the Manager (excluding disposal/admin):</b>	<b>\$0.110</b>
<b>Total cash generated by Fund:</b>	<b>\$1.504</b>
Fees = % of total cash generated (before fees)	7.3%
Up-front fee vs total fees	31.2%

Source: Core Property estimates

### Expected Future Performance (IRR Sensitivity)

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

The Fund is an open-ended property fund. As such, investors should expect their returns to be driven by the timing of their entry and exit prices as well as the performance of the portfolio, which is expected to change as properties are acquired and sold over time.

## Management & Corporate Governance

The Manager, Centuria Property Funds Limited ("CPFL") is a wholly-owned subsidiary of the ASX listed-Centuria Capital Limited (ASX: CNI). Centuria, was formed in 1998 with a specific focus on the purchasing of high-quality, growth-oriented commercial property investments. Centuria has over \$20B of assets under management, including \$19.3B of real estate assets managed on behalf of retail and wholesale investors across its listed and unlisted portfolio.

Core Property has reviewed the composition of the RE Board and senior executive team and considers it has the relevant skills and experience to operate the Fund successfully. Core Property notes the Board of the RE structure of an independent Chairman and non-executive directors provides a high level of corporate governance.

Figure 14: The Board of the Responsible Entity

Name & Role	Experience
<b>Matthew Hardy</b> Independent Chairman	Matthew has been an Independent Non-Executive Director of Centuria Property Funds Limited (CPFL), since July 2013. He brings more than 30 years, senior level experience across direct real estate, equities and funds management to the Board. His career spans UK and Australian markets in direct property valuation and consultancy for global companies including Richard Ellis (now CBRE) and Jones Lang Wootton (now JLL) as well as roles as Hambros Equities' senior REIT analyst and Barclays Global Investors' Head of Property and Director of Property Investments. Matthew is also a founding Director of real estate specialist executive search and consultancy, Conari Partners, and its Thomas Hardy. Prior to assuming his current Board positions, Matthew was General Manager to the Mirvac-managed, listed REIT, Capital Property Trust. He was also Mirvac Fund Management's Head of Investments and Developments where he drove strategy and new business development. Matthew is a member of the Royal Institution of Chartered Surveyors (RICS) and the Australian Institute of Company Directors (AICD). Matthew is also an Independent Non-Executive Director of Centuria Healthcare Asset Management Limited.
<b>Peter Done</b> Independent Non-Executive Director	Peter was appointed to the Board of Centuria Property Funds in 2007 and has 27 years' experience as a partner at KPMG from 1979 until retirement in 2006. During his years at KPMG, Peter was the lead audit partner for many clients, including those involved in property development, primary production and television and film production and distribution. Peter holds a Bachelor of Commerce (Accounting) from the University of New South Wales and is a fellow of Chartered Accountants Australia and New Zealand.
<b>Darren Collins</b> Independent Non-Executive Director	Darren has been an Independent Non-Executive Director of Centuria Property Funds Limited (CPFL) since March 2015. He is also a member of CPFL's Audit, Risk Management and Compliance Committee. He brings extensive accounting, audit and financial management experience to the Board having been the lead financial executive for businesses operating in Asia, Australia and the United States of America. He has a strong background in corporate governance and regulation for listed companies. Between 1997 and 2013, Darren was Computer Sciences Corporation (CSC)'s Vice President of Finance and Administration of several operating divisions. From 2004 to 2009, he was also a non-executive director of three IT services companies listed on the stock exchanges of Singapore, Hong Kong and Kuala Lumpur, respectively. Darren holds a Bachelor of Commerce (Accounting) from the University of New South Wales and is an associate of Chartered Accountants Australia and New Zealand.
<b>Elizabeth McDonald</b> Independent Non-Executive Director	Elizabeth has had an extensive 16-year legal career, specialising in property, clean energy, native title and Aboriginal cultural heritage. She is currently a practicing consultant with Chalk & Behrendt and a sessional academic in property law practice at the University of Newcastle Law School as well as being part of the University's Law School Advisory Board. Elizabeth was a 2019 recipient of an Australian Government Executive Leadership Scholarship, focused on facilitating investment in clean energy, land use planning for clean energy projects, ESG reporting and impact investing. She was admitted as a solicitor to the Supreme Court of NSW in 2006. Elizabeth sits on the following Centuria-related boards and committees: Centuria Property Funds Limited (Independent Non-Executive Director); and CPFL Audit, Risk and Compliance Committee (ARCC) (Independent Non-Executive Director). Elizabeth holds a Bachelor of Economics and Bachelor of Laws (Hons) from the University of Newcastle.

Figure 14: Senior Executive Team

Name & Role	Experience
<b>John McBain</b> Executive Director, Joint CEO - Centuria	John joined the Centuria Board (formerly Over Fifty Group) on 10 July 2006. He was appointed as Chief Executive Officer of the Over Fifty Group in April 2008. John was also a founding director and major shareholder in boutique fund manager Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006. Prior to forming Century, John founded property fund manager Waltus Investments Australia Limited and Hanover Group Pty Limited, a specialised property consultancy. Waltus was formed in 1995 and was one of the first dedicated property fund managers in Australia. Prior to 1990 John held senior positions in a number of property development and property investment companies in Australia, New Zealand and the UK. John has a Diploma in Tech (Valuations) and Diploma in Urban Valuation from the University of Auckland.
<b>Jason Huljich</b> Executive Director, Joint CEO - Centuria	Centuria's Real Estate and Funds Management business. Jason was also a founding director and major shareholder in boutique fund manager Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006. He is an Executive Director of Centuria. In his role he is responsible for providing strategic leadership and ensuring the effective operation of Centuria's real estate portfolio and funds management operations. Jason has extensive experience in the commercial property sector, with specialist skills in property investment and funds management. He is also a past President of the Property Funds Association (PFA), which represents the \$125 billion direct property investment body in Australia and continues to serve on their national executive. Jason holds a Bachelor of Commerce (Commercial Law) from the University of Auckland, New Zealand.

<p><b>Stuart Wilton</b> Co-Head – Unlisted Funds</p>	<p>Stuart joined Centuria in May 2010 and was appointed Fund Manager in July 2017. Overseeing all operations of nine unlisted property funds, he is responsible for the fund establishment, performance, reporting and investor relations of assets in excess of \$870 million. Stuart previously held several key positions in the Centuria asset management division, most recently Portfolio Manager and was primarily responsible for the proactive and efficient management of Centuria's property portfolio across both the Centuria Office REIT, Centuria Industrial REIT and the various unlisted property funds. Prior to joining Centuria, Stuart worked for Potomac Realty Capital in Boston, a specialist real estate finance company focused on structured financial solutions and permanent real estate loans for all commercial property types. Stuart holds a Bachelor of business (Property) and is a Member of the Australian Property Institute.</p>
<p><b>Andrew Tout</b> Transactions Manager - Agricultural</p>	<p>Andrew is Centuria's Agricultural Transactions Manager, responsible for sourcing and overseeing two unlisted funds with six properties ranging from fruit, nut and citrus orchards, to vineyards, across Australia's eastern seaboard. Andrew is a sixth-generational agriculturalist with more than 25 years industry experience. His core capabilities extend to portfolio management, acquisition evaluation and transactions, credit and risk structuring, automation and AI decision making, and gate-to-plate supply chain management. Andrew joined Centuria in 2020 having previously held senior positions with Westpac, ANZ, Commonwealth Bank, GrainCorp, Elders, Raine &amp; Horne and regional agricultural specialist companies such as Cargill, Tandou and Pentag. He studied Horticultural Science at the University of Western Sydney and holds a Services (stock and station), Executive Certificate in Rural Property Valuation, Certificate Executive Entry Program Macquarie Graduate School of Management, Certificate III and IV in Financial Services, Tier II Financial Services Accreditation, Certificate IV in Business Sales.</p>
<p><b>David Schwartz</b> Executive Director - Primewest</p>	<p>David is a founding Director of Primewest (part of Centuria) and has been instrumental in its growth and development. David is a professional property investor with 25 years' experience in negotiating acquisitions and overseeing the development of properties. He is a Non-Executive Director of Schaffer Corporation Ltd. Over the past 40 years David has been involved in many different businesses including agriculture, retail, chemical manufacturing of herbicides and pesticides and distribution of a variety of consumer products. His property investments have been strongly focused on retail, commercial developments and agriculture. Some of David's agricultural experience spans over 40 years and includes intensive vegetable farming ventures, milk and beef production.</p>
<p><b>Andrew Essey</b> Group Head of Transactions</p>	<p>Andrew is responsible for overseeing the Group's transactions across all sectors, including the management of the transactions team of sector-focused experts. Andrew has been directly involved in over \$8 billion of acquisitions and disposals of direct real estate assets over the past 5 years while holding this position, including the purchase of Flavorite Warragul. Andrew joined Centuria in 2013 and has held other senior positions including Fund Manager and National Leasing Manager and is a member of Centuria's Senior Executive Committee. Andrew holds a Bachelor of Business Administration from Radford University, Virginia, USA with a Major in Marketing and Economics.</p>
<p><b>Ross Lees</b> Head of Funds Management</p>	<p>Ross is the Head of Centuria's Real Estate Funds Management business, which is responsible for both listed and unlisted property funds in the office, industrial and healthcare sectors. This includes Australia's largest ASX listed pure play office and industrial REITs, as well as both open ended and closed end unlisted property funds with AUM of approximately \$13.5 billion. Ross was previously the Fund Responsible Entity of Centuria Industrial REIT (ASX: CIP), with overall responsibility for the operation, performance and strategy of the REIT. Ross joined Centuria in 2017 and has over 15 years of investment management experience having joined Centuria from Dexu where he held senior transactional and portfolio management roles. Prior experience includes over six years at Stockland, and four years at Logos Property Australia having established and led their asset management platform. Ross holds a Bachelor of Business (Property Economics) from the University of Western Sydney and a Master of Applied Finance from Macquarie University.</p>
<p><b>Ben Harrop</b> Head of Distribution</p>	<p>Ben has spent 25 years in wealth management in various senior leadership positions. Ben brings broad market experience across the full advice and product spectrum. Prior to joining the Centuria Group, Ben worked at ANZ Wealth as Head of Strategic Accounts Management and managed the distribution and research of investment, platform, private client and insurance solutions at firms such as AMP Capital, Zurich, Bankers Trust and Macquarie Bank. Ben commenced his career working in his family insurance broking business. Ben holds a Bachelor of Economics, Graduate Diploma in Applied Finance, Diploma of Financial Planning, Postgraduate Certificate in Management, Diploma from the Australian Institute of Company Directors. Ben is also a Senior Associate with FINSIA (the Financial Services Institute of Australasia), and an active member of industry associations having been a judge for the AFA Rising Star of the year award.</p>
<p><b>John Slater</b> Independent Non- Executive Director – Centuria</p>	<p>John was appointed a Centuria Group Independent Non-Executive Director in May 2013. John has deep experience in all financial market sectors gained over a 35 year career. He also serves on the Investment Committees of Centuria Life and the Over Fifty Guardian Friendly Society and continues to be active in Investment Committee activities of other non-aligned financial groups. John has been investing in and managing assets in the agriculture sector for over 10 years. These investments have covered a diverse range of market sectors across both listed and unlisted assets. These include broadacre farming, almonds, cattle, cotton, poultry, softwood and grapes, over a broad geographic area of Australia. As a part of this activity he undertakes site visits on a regular basis. On behalf of the Over Fifty Guardian Friendly Society Trust, Centuria Life Limited and personally John currently oversees over \$39m of investments in agricultural assets spread through the Northern Territory, Queensland, NSW and South Australia.</p>
<p><b>Anna Kovarik</b> Group Chief Risk Officer &amp; Company Secretary</p>	<p>Anna joined Centuria in July 2018 in the role of General Counsel and Company Secretary. In July 2020, Anna was promoted to Group Chief Risk Officer and Company Secretary. Prior to joining Centuria, Anna held senior corporate governance and risk management roles at ASX publicly listed entities, including Mirvac and AMP. Anna was awarded a distinction in the Global Executive MBA program at the University of Sydney. She is qualified as a solicitor in both the UK and NSW and was a senior associate at Allens law firm in Sydney where she specialised in the areas of real estate and funds management. Anna is a Graduate of the Australian Institute of Company Directors, Company Directors' Course, has a Global Executive MBA, University of Sydney, Bachelor of Laws, Masters of Information Technology.</p>

Source: Centuria

## Compliance and Governance

The Fund is registered with ASIC as a managed investment scheme and is required to its obligations with ASIC as well as Corporations Law. The fund is also subject to the compliance policies of its ultimate parent, Centuria Capital Group (ASX: CNI). As a listed entity, Centuria has as a compliance plan, an audit & compliance committee, and policies covering related-party transactions and conflicts of interests. Core Property has reviewed the composition of the Board and senior executive team and considers it has the relevant skills and experience to operate the Fund successfully. Core Property notes the Board of the Fund comprises entirely of independent Directors.

ASIC Regulatory Guide 46 "Unlisted property schemes: Improving disclosure for retail investors" and Regulatory Guide 198 "Unlisted disclosing entities: Continuous disclosure obligations" describe ASIC's preferred benchmarks and principles.

Core Property has reviewed the Manager's reference to the benchmarks and disclosure principles recommended by RG46. The Fund is compliant with eight out of the nine benchmarks and principles. The Fund does not comply with Benchmark 6/Disclosure Principle 6 which requires the payment of distributions to be made from its cash from operations. A portion of distributions is expected to come from capital over the forecast period.

## Conflicts of Interests and Related Party Transactions

Centuria maintains a written policy on related party transactions, including the assessment and approval processes to manage any conflicts of interest. The policy is in compliance with ASIC's Disclosure Principles and Benchmarks set out in RG46. The Manager has also set out a number of related party transactions that are currently expected by the Fund:

- A related party of the Responsible Entity and Investment Manager, Centuria Life, holds 50% of the existing units in the Fund. These are held as Acquisition Units to help fund the acquisition of Flavorite Warragul. It is intended that Centuria Life's Acquisition Units will be redeemed, using the proceeds of the Offer. Centuria Life's investment in the Fund was made on arms'-length terms and the amount to be received by Centuria Life for the redemption of its Units will also be on arms'-length terms, reflecting the value of the Fund's assets. Depending upon the total amount of capital raised, it is possible that Centuria Life may retain some Acquisition Units in the Fund. Centuria Life may also transfer its Units to other Centuria entities, on arms-length terms.
- The Responsible Entity has engaged Centuria Property Services to provide property management services for the Fund. Centuria Property Services will receive management fees, that will be determined on a property-by-property basis but will not exceed 3% of the property's gross operating income. Leasing fees may also be payable on a property-by-property basis.

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## Past Performance

### Centuria Syndicate Performance

The Manager has advised that, since 1999, Centuria Capital Limited has completed 44 funds at a weighted average total return of 16.8% and an average total return of 15.3%.

Readers should note that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

## Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

**It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.**

### The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

This report has been commissioned, and, as such, Core Property has received a fee for its publication. Under no circumstances has Core Property been influenced, either directly or indirectly, in making statements and / or recommendations contained in this report.

## Ratings History

The following is a summary of the ratings provided by Core Property since the establishment of the Fund.

Date	Core Property rating
June 2022	The Fund is rated as "Recommended"

## Disclaimer & Disclosure

Core Property has received a fee from the Manager for researching the product(s) which has then been subject to a detailed review and assessment by Core Property and its analysts to produce this report. In compiling this report, Core Property's views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers for review.

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