Centuria

Fund Update
March 2022

Centuria Government Income Property Fund No. 2

(ARSN 653 978 753)

Key points

- The purchase of 25 Nile Street, Port Adelaide SA settled on 2 December 2021
- Monthly distributions have been paid at a rate of 5.25 cents per unit (annualised)
- 75% of the $30.75m in drawn debt has been hedged at a fixed rate of 0.62% plus the margin of 1.30%

Fund summary

We are pleased to provide you the first Fund Update for your investment in the **Centuria Government Income Property Fund No. 2** (Fund).

As outlined in previous correspondence, we are pleased to confirm that the Fund's purchase of the property located at 25 Nile Street, Port Adelaide SA settled on 2 December 2021. Monthly distributions have been paid at a rate of 5.25 cents per unit (annualised), which is in line with the Fund's Product Disclosure Statement (PDS) and the forecast for the 2022 financial year. The corresponding distribution statement for the Fund can be accessed from our online investor portal at **CenturiaInvestor.com.au.**

The Fund has entered into a financing arrangement with Westpac for a term of five years at competitive rates. In addition, approximately 75% of the current drawn debt has been hedged at a fixed rate of 0.62% for the first three years of the facility to ensure security of interest costs and in years four and five, a two year swap for approximately 50% of the forecast drawn debt ($15.0m) has also been secured.

The 31 December 2021 audited financial report is now available to download from the online investor portal at **CenturiaInvestor.com.au.**The report confirms the Net Asset Backing (NAB) of units in the Fund increased from $0.93 as outlined within the Product Disclosure Statement dated 25 October 2021 to $0.96 (as at 31 December 2021). The increase is predominately due to change in the Mark to Market value of the Fund's derivative instruments, which results in $0.02 being added to the NAB. However, please note that the $550,000 increase in the Fund's net assets is only materialised if the three year swap is broken prior to its expiry on 16 December 2024. This amount will also reduce as the remaining term on the swap diminishes, however it may increase further if interest rates continue to rise.

Financial snapshot

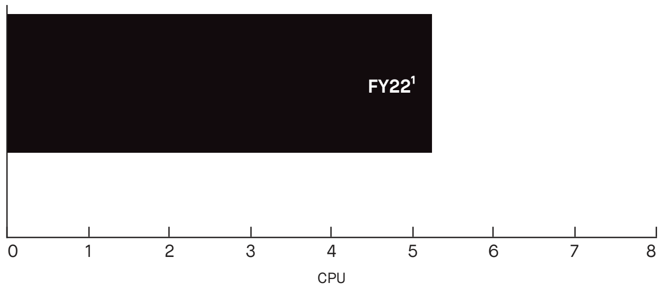
Fund commencement date	2 Dec 2021
Unit price	$1.01[1]
Net asset backing	$0.96[2]
Distribution rate (cents per unit)	5.25[3]
Weighted average lease expiry (WALE) (years)	11.0[1]
Next investor vote on term of Fund	2 Dec 2026

1. As at 31 December 2021.
2. Based on the most recent audited accounts as at 31 December 2021. Without the Mark to Market of the Fund's interest rate swap, the NAB of units in the Fund would be $0.94.
3. March 2022 quarter, annualised.

As outlined in the Product Disclosure Statement, units were issued at $1.00 per unit. Thereafter, the unit price will reflect the NAB per unit with adjustments made for the amortisation of certain fees and expenses on a straight-line basis over five years.

Distribution details

ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate for the remainder of the 2022 financial year is forecast to remain at 5.25 cents per unit (annualised). This forecast distribution rate reflects the current performance of the Fund and assumes that all tenants will continue to satisfy their contractual obligations under their respective leases within a timely manner and that there are no significant unforeseen capital costs and no material changes to the Fund's financial obligations.

An out of cycle update will also be provided in June 2022 to confirm the forecast distribution rate for the 2023 financial year.

Property details

ASSET VALUES	
Property address	25 Nile Street, Port Adelaide SA
Purchase price (Dec 21)	$62.8m
Acquisition valuation – Independent (Aug 21)	$62.8m
Current valuation (Dec 21)	$62.8m
Cap rate (Dec 21)	4.75%
Valuer	Directors'

The property was subject to Directors' valuation for the purposes of the 31 December 2021 audited financial report and the key metrics of this valuation are outlined in the table above. Furthermore, the result of the 30 June 2022 valuation will be included within the September 2022 Fund Update.

Top tenants by net lettable area (NLA)

Minister for Transport and Infrastructure (Shared Services SA) Lease expires 18 May 2033	94%
Urban Renewal Authority (Renewal SA) Lease expires 30 Jun 2023	6%

The property is currently 100% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 11.0 years as at 31 December 2021.

Property statistics

	INITIAL[1]	DEC-21
Net asset backing	$0.93	$0.96
Property occupancy rate	100%	100%
Weighted average lease expiry (WALE) (years)	11.1	11.0

1. Based on the Product Disclosure Statement dated 25 October 2021.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	$31.3m	
Undrawn amount	$0.5m[1]	
Loan expiry	2-Dec-26	
% of debt hedged	74.8%[2]	
Loan to value ratio (LVR)	49.0%[3]	60.0%
Interest cover ratio (ICR)	6.37[4]	2.0

1. As at 31 December 2021.
2. The Fund's drawn debt is 74.8% hedged at a rate of 0.62% p.a. until 16 December 2024.
3. The LVR is based on the most recent independent valuation as defined under the debt facility agreement.
4. The stated ICR figures are based on the most recent audited accounts as at 31 December 2021.

Under the Fund's five-year facility, the drawn debt is currently $30.75 million, which is 74.8% hedged at a fixed rate of 0.62% (in addition to the bank margin of 1.30%) until 16 December 2024, with the ability to draw an additional $500,000 for future leasing related costs and base building capital expenditure. Furthermore, a two year swap for approximately 50% of the forecast drawn debt in years four and five ($15.0m) has also been secured.

Under the terms of the debt facility, the Fund is required to comply with certain loan covenants over the course of the year. Based on the most recent audited accounts as at 31 December 2021, the Fund remains compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Valuation Ratio (LVR).

Centuria investor website

You can access all information relating to your Centuria investments 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 (within Australia); +61 2 9290 9689 (outside Australia) or by email on **Property.Enquiry@CenturiaInvestor.com.au**.

Note: The latest RG46 Statement for the Fund is available at **CenturiaInvestor.com.au**. It includes gearing ratio, calculated using ASIC methodology, gearing covenant sensitivities, details of the related party transactions in the period and further information on the source of distributions.