

Centuria

Fund Update
September 2022

Centuria Healthcare Direct Medical Fund No. 2

(ARSN 602 267 514 APIR HTH0015AU)

Key points

- Portfolio valuation uplift of \$16.6 million as at 30 June 2022 resulting in an increase in NAV from \$1.2473 per unit to \$1.3328 per unit.
- The portfolio is underpinned by Weighted Average Lease Expiry (WALE) by income of 5.9 years and portfolio occupancy of 94.1%.
- The September 2022 quarter distribution of 1.6875 CPU, in line with the FY23 target distribution rate of 6.75 CPU.
- The Manager has completed 4 leasing renewals across 987sqm, further de-risking the near-term income streams of the portfolio.

Fund Summary

We are pleased to confirm the properties were internally or independently valued as at 30 June 2022, resulting in an uplift of \$16.6 million to \$342.55 million. This has resulted in an increase in NAV to \$1.3328 per unit as at 30 June 2022 from \$1.2473 per unit as 31 December 2021, equating to an increase of 6.9%.

The portfolio occupancy as at 30 September 2022 increased to 94.1%, and the near-term income streams of the portfolio has been further de-risked with leasing. This is primarily relating to Cleveland which benefited from an improved WALE to 3.0 years and occupancy at the property from 95.7% to 100% by securing the following leases:

- 3-year lease extension with Anglicare (246 sqm);
- 3-year lease to The Psych Professional (270 sqm);
- 5-year lease extension with childcare operator Lily Hilda (569 sqm); and
- 3-year lease to Life Zest (145 sqm).

The Manager is currently in discussion with a number of prospective tenants in relation to the vacancy at Maroochydore with terms agreed for level 2 (2.113sqm) and will continue to focus on securing tenants for the remaining vacancies and improving the portfolio income and valuation.

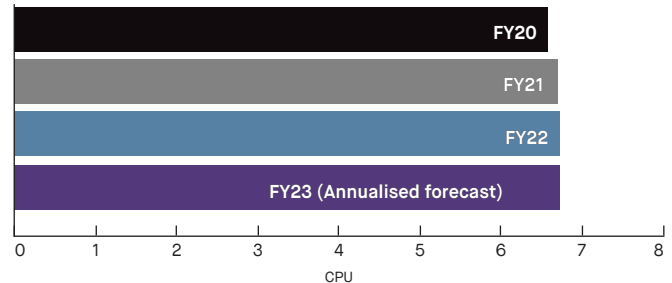


Financial snapshot

Fund commencement date	June 2017
Net Asset Value (NAV)	\$1.3328 ¹
Distribution rate (cents per unit)	6.75 ²
Weighted average lease expiry (WALE) (years)	5.9 ³
Next investor vote on term of Fund	June 2024

Distribution details

ANNUALISED DISTRIBUTION



The distribution for the September 2022 quarter is 1.6875 CPU, which will be paid on or around 10 October 2022. This is in line with the March 2022, and June 2022 quarter distributions.

1. Based on the audited 30 June 2022 financial accounts.

2. Forecast FY23 full year distribution based on 1.6875 CPU for the September 2022, December 2022, and March 2023, and June 2023 quarters.

3. As at 30 September 2022.

Portfolio statistics

	INITIAL ¹	JUN-20	JUN-21	JUN-22
Net asset value (NAV)	\$0.8362	\$0.9159	\$1.0240	\$1.3328 ²
Portfolio occupancy rate	100%	97%	91%	94% ³
Weighted average lease expiry (WALE) (years)	8.7	7.1	6.9	5.9 ³

Top five tenants by net lettable area (NLA)

Healius	28%
GenesisCare	12%
Queensland Health	10%
Vision Eye Institute	8%
Other	42%

Occupancy is 94% with a WALE by income of 5.9 years as at 30 September 2022.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit (\$m)	136.5	
Undrawn amount (\$m)	2.3	
Loan expiry	27-Jun-24	
% of debt hedged	71.0%	
Loan to value ratio (LVR)	39.3% ⁴	57.5%
Interest cover ratio (ICR)	4.97x ⁵	2.00x

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 ICR is 4.97 times. This means the Fund's net income needs to drop by 48.8% 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 39.3%. This means the value of the Fund's properties would need to decrease by 31.6% before the Fund breaches the LVR covenant .

Centuria investor website

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](https://www.centuriainvestor.com.au). The audited financial report for the half year of 2022 financial year is available to download from [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au) at the end of March 2022.

You can access all information relating to your Centuria investments at [CenturiaInvestor.com.au](https://www.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.

1. Based on the PDS dated 26 June 2017.
2. Based on audited 30 June 2022 financials.
3. As at 30 September 2022.
4. The LVR is based on the most recent independent valuations as defined under the debt facility agreement.
5. Nicholas Houghton:
The stated ICR figures are based on the 12 month actuals to 30 June 2022.

Portfolio details

PROPERTY ADDRESS	PREVIOUS VALUATION	PREVIOUS CAP RATE	CURRENT VALUATION	CAP RATE	WALE	OCCUPANCY	VALUER
332-342 Old Cleveland Road, Cooparoo QLD	\$22,100,000	5.50%	\$23,000,000 ¹	5.25%	2.7	100%	CBRE
401-409 Milton Road, Auchenflower QLD	\$48,000,000	5.50%	\$48,300,000	5.25%	4.0	85.4%	Savills
18 Prowse Street, West Perth WA	\$9,870,000	5.75%	\$11,450,000	5.00%	6.1	100%	CBRE
2-24 Waldron Street, Yarrabilba QLD	\$13,750,000	5.50%	\$13,750,000 ¹	5.25%	8.9	85.9%	Colliers
16-24 Weippin St, Cleveland QLD	\$40,400,000	5.75%	\$45,500,000	5.25%	3.0	100%	JLL
56 Rosemont Street, Wollongong NSW	\$2,500,000	5.75%	\$2,800,000	5.25%	5.8	100%	Colliers
11-19 Riverview Place, Murarrie QLD	\$64,000,000	4.50%	\$68,000,000	4.25%	13.2	100%	Colliers
375A/377 Concord Rd, Concord NSW	\$17,250,000	5.00%	\$18,250,000	4.75%	7.0	100%	CBRE
6 Lubich Way, Mira Mar WA	\$3,900,000	5.75%	\$4,350,000	5.25%	6.7	100%	JLL
60-62 Dalton Drive, Maroochydore QLD	\$45,100,000	5.75%	\$45,100,000	5.75%	3.7	66.7%	Savills
4 Baker Court, West Albury NSW	\$6,100,000	6.25%	\$6,300,000 ¹	6.00%	3.0	100%	JLL
2-6 Meurant Ave, Wagga Wagga NSW	\$10,175,000	5.75%	\$10,400,000 ¹	5.50%	1.7	100%	JLL
42-44 Ord Street, West Perth WA	\$12,700,000	5.75%	\$15,100,000	5.25%	6.0	100%	CBRE
956 Gympie Road, Chermside QLD	\$11,800,000	5.50%	\$11,800,000 ¹	5.50%	0.6	100%	M3
100 Murdoch Drive, Murdoch WA	\$18,350,000	5.50%	\$18,450,000	5.50%	9.2	100%	JLL
TOTAL	\$325,995,000	5.39%	\$342,550,000	5.13%	5.9	94%	

Independent or internal valuations were undertaken as at 30 June 2022 for the portfolio. We are pleased to confirm a valuation uplift of 5.1% (\$16.6 million) across the portfolio, notably West Perth's valuation increased to \$11.45 million from \$9.87 million (16% increase) and Perth Eye increased to \$15.1 million from \$12.7 million (19% increase).

Note: The latest RG46 Statement for the Fund is available at [CenturiaInvestor.com.au](https://www.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.

1. Directors' valuation undertaken as at 30 June 2022.

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