

Centuria

Fund Update
March 2023

Centuria Healthcare Direct Medical Fund No. 2

(ARSN 602 267 514 APIR HTH0015AU)

Key points

- Portfolio valuation uplift of \$3.85 million resulting in an increase in NAV from \$1.3328 per unit to \$1.3487 per unit¹.
- The Manager has completed 6 leasing deals spanning 4,263 sqm, including 1,320 sqm at Maroochydore.
- The portfolio is underpinned by Weighted Average Lease Expiry (WALE) by income of 5.8 years and portfolio occupancy of 97.1%.
- The March 2023 quarter distribution of 1.6875 CPU, in line with the FY23 target distribution rate.

Fund Summary

The **Centuria Healthcare Direct Medical Fund No.2** (Fund) distribution for the March 2023 quarter is 1.6875 CPU, in line with the FY23 guidance provided to investors. 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.

We are pleased to confirm the properties were valued as at 31 December 2022, resulting in an uplift to the portfolio of \$3.85 million to \$346.4 million. As a result, NAV has increased from \$1.3328 per unit (30 June 2022) to \$1.3487 per unit (31 December 2022), reflecting an increase of 1.1%.

The portfolio's occupancy as at 31 December 2022 increased to 97.1%, and the near-term income streams of the portfolio has been further de-risked following the key leasing deals summarised below:

- 4-year lease extension with Mater at Cleveland (2,030 sqm);
- 3-year new lease to Sunshine Coast Health at Maroochydore (1,020 sqm);
- 10-year new lease to the Uniting Church in Australia at Maroochydore (300 sqm); and
- 5-year lease extension with Queensland X-Ray at Coorparoo (694 sqm).

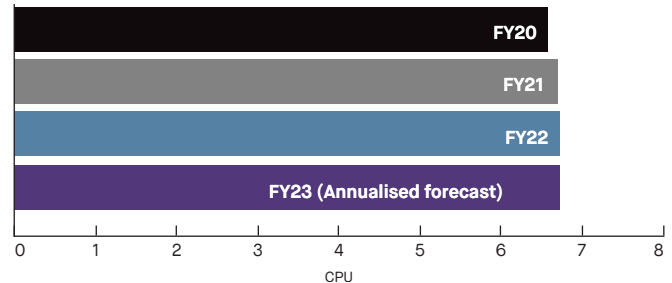


Financial snapshot

Fund commencement date	June 2017
Net Asset Value (NAV)	\$1.3487 ²
Distribution rate (cents per unit)	6.75 ³
Weighted average lease expiry (WALE) (years)	5.8 ⁴
Next investor vote on term of Fund	June 2024

Distribution details

ANNUALISED DISTRIBUTION



The distribution for the March 2023 quarter is 1.6875 CPU, which will be paid on or around 10 April 2023. This is in line with the September 2022, and December 2022 quarterly distributions.

The Manager will provide an update in June 2023 to confirm the forecast distribution rate for the 2024 financial year. The Manager will also incorporate the increased cost of interest rates in the distribution forecast, which may have an impact on the 2024 financial year distribution rate.

1. As at 31 December 2022

2. Based on the audited 31 December 2022 financial accounts.

3. Forecast FY23 full year distribution based on 1.6875 CPU for the March 2023 and June 2023 quarters. The distribution rate is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of the Fund. The actual returns may differ from the target/forecast return. The Responsible Entity does not guarantee the performance of the Fund, the repayment of capital or any income or capital return. Past performance is not reliable indicator of future performance. In addition, given the current volatility in interest rate forecasts, this assumption may need to be reviewed. Should interest rates normalise at higher (or lower) than forecast levels, distributions may be revised.

4. As at 31 March 2023.

Portfolio statistics

	INITIAL ¹	JUN-20	JUN-21	JUN-22	DEC-22
Net asset value (NAV)	\$0.8362	\$0.9159	\$1.0240	\$1.3328 ²	\$1.3487 ³
Portfolio occupancy rate	100%	97%	91%	94%	97% ⁴
Weighted average lease expiry (WALE) (years)	8.7	7.1	6.9	5.9	5.8 ⁴

Top five tenants by net lettable area (NLA)

Healius	27%
GenesisCare	11%
Queensland Health	10%
Vision Eye Institute	8%
Other	44%

Occupancy is 97.1% with a WALE by income of 5.8 years as at 31 March 2023. Montserrat Hospitals is currently owned by ASX listed Healius and currently contribute to 28% of the portfolio income. QIC has entered into an agreement to purchase Montserrat Day Hospitals (portfolio of eight hospitals and several clinics) from ASX-listed group Healius for \$140 million. The deal represents a great outcome for investors in healthcare, as it further reinforces strong demand for short-stay hospitals.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit (\$m)	136.5	
Undrawn amount (\$m)	1.8	
Loan expiry	27-Jun-24	
% of debt hedged	70.5%	
Loan to value ratio (LVR)	39.4% ⁵	57.5%
Interest cover ratio (ICR)	4.26x ⁶	2.00x

In May 2022 the Reserve Bank of Australia (RBA) increased the cash rate for the first time in 11 years as a result of inflationary pressures experienced within the economy. Subsequently the RBA has executed several rate increases with the current cash rate at 3.60% (March 2023). Interest rates rises have a direct impact to the cost of debt and financial performance of the Fund. Centuria management has continued to monitor and stress test interest rates for the Fund. FY24 Fund budgets will be forecast in the coming months, and a FY24 distribution forecast will be provided to investors in June 2023.

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 4.26 times. This means the Fund's net income needs to drop by 42.8% 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 39.4%. This means the value of the Fund's properties would need to decrease by 31.5% 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 ending 31 December 2022 is available to download from [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au).

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. Based on audited 31 December 2022 financials.

4. As at 31 March 2023.

5. The LVR is based on the most recent independent valuations as defined under the debt facility agreement.

6. The stated ICR figures are based on the 12 month actuals to 31 December 2022.

Portfolio details

PROPERTY ADDRESS	PREVIOUS VALUATION	PREVIOUS CAP RATE	CURRENT VALUATION	CAP RATE	WALE ¹	OCCUPANCY ¹	VALUER
332-342 Old Cleveland Road, Cooparoo QLD	\$23,000,000	5.25%	\$22,650,000	5.25%	4.0	100%	Savills
401-409 Milton Road, Auchenflower QLD	\$48,300,000	5.25%	\$50,350,000 ²	5.25%	3.5	89.7%	Internal
18 Prowse Street, West Perth WA	\$11,450,000	5.00%	\$11,750,000 ²	5.25%	5.6	100%	Internal
2-24 Waldron Street, Yarrabilba QLD	\$13,750,000	5.25%	\$13,750,000	5.75%	8.2	100.0%	Colliers
16-24 Weippin St, Cleveland QLD	\$45,500,000	5.25%	\$45,900,000 ²	5.50%	4.4	100%	Internal
56 Rosemont Street, Wollongong NSW	\$2,800,000	5.25%	\$2,800,000 ²	5.50%	5.3	100%	Internal
11-19 Riverview Place, Murarrie QLD	\$68,000,000	4.25%	\$68,000,000	4.50%	12.7	100%	Colliers
375A/377 Concord Rd, Concord NSW	\$18,250,000	4.75%	\$18,250,000	5.00%	6.5	100%	CBRE
6 Lubich Way, Mira Mar WA	\$4,350,000	5.25%	\$4,400,000 ²	5.25%	6.2	100%	Internal
60-62 Dalton Drive, Maroochydore QLD	\$45,100,000	5.75%	\$45,100,000	5.75%	3.5	91.7%	Savills
4 Baker Court, West Albury NSW	\$6,300,000	6.00%	\$6,300,000	6.50%	2.5	100%	JLL
2-6 Meurant Ave, Wagga Wagga NSW	\$10,400,000	5.50%	\$10,400,000	6.00%	1.2	100%	JLL
42-44 Ord Street, West Perth WA	\$15,100,000	5.25%	\$15,750,000 ²	5.25%	5.5	100%	Internal
956 Gympie Road, Chermshire QLD	\$11,800,000	5.50%	\$11,800,000	5.50%	0.1	100%	M3
100 Murdoch Drive, Murdoch WA	\$18,450,000	5.50%	\$19,200,000 ²	5.50%	8.7	100%	Internal
TOTAL	\$342,550,000	5.13%	\$346,400,000	5.28%	5.8	97.1%	

Independent or internal valuations were undertaken as at 31 December 2022 for the portfolio. We are pleased to confirm a valuation uplift of 1.1% (\$3.9 million) across the portfolio. The valuation uplift was primarily driven by increase in market rents, partially offset by the portfolio's cap rate softening from 5.13% to 5.28%. Notably Auchenflower's valuation increased to \$50.35 million from \$48.3 million (4% increase) and Perth Eye increased to \$15.8 million from \$15.1 million (4% 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. As at 31 March 2023.

2. Directors' valuation undertaken as at 31 December 2022.

Disclaimer: Issued by Centuria Healthcare Asset Management Limited, ABN 40 003 976 672 AFSL 246368 (CHAML). The information in this document is general information only and does not take into account your personal financial circumstances, needs or objectives. We recommend you speak with your financial and/or taxation advisor before making any decisions in relation to your investment.