

Centuria

Quarterly fund update
September 2023

Centuria Agriculture Fund

ARSN 653 947 892 & ARSN 653 946 402 | APIR - CNT3531AU

September 2023 quarter performance highlights

- The Centuria Agriculture Fund (Fund or CAF) is currently the largest owner of glasshouses in Australia with 73.5 hectares under glass and assets under management totalling \$324 million.
- The Fund's drawn debt is currently 98.1% hedged until 15 June 2025.
- Portfolio remains 100% occupied with a weighted average lease expiry (by income) of 17.48 years as at 30 September 2023.
- September quarter distributions have been paid at an annualised rate of 5.50 cents per unit, reflecting a yield of approximately 5.51% on the Fund's 30 September 2023 unit price of \$0.9973.

Market update

Following the board meeting on 3 October, the Reserve Bank of Australia (RBA) has opted to keep the cash rate on hold for a fourth consecutive month, suggesting recent counter-inflationary measures are beginning to take effect. Prior to this announcement, the four major Australian banks had revised their terminal cash rate expectations down, now sitting between 2.85% and 3.35%, and have forecasted the potential for interest rate cuts in late 2024. However, it is important to note that major economists have highlighted the lingering risk of up to two rate hikes (+0.50%), should inflationary data surprise to the upside.

To effectively manage interest rate changes, our in-house treasury team have implemented various measures. These primarily focus on hedging, which involves securing a fixed interest rate to provide greater certainty for the Fund's distributions. It is important to note that our hedging activities aim to minimise the impact of interest rate volatility on the Fund's distributions and are not a view on future movements within the debt markets.

Pleasingly, the Fund has secured two interest rate swaps which hedge 98.1% of the Fund's current drawn debt until 15 June 2025. Despite the challenging market conditions, we want to emphasise that our investment strategy remains centred on long-term value creation and maintain confidence in the resilience of high quality and well located assets over time.



Key portfolio metrics as at 30 September 2023

Property assets	3
Property portfolio	\$324,000,000
Capitalisation rate	6.15%
Number of tenants	3
Fund WALE (years)	17.5
Fund occupancy	100%

Agricultural update

The Bureau of Meteorology (BOM), after months of anticipation, has now confirmed that the El Niño weather pattern is active over Australia for the first time in eight years. Climate models used by the BOM indicate that this El Niño pattern is likely to persist until at least the end of February 2024. El Niño typically leads to reduced spring and early summer rainfall for eastern Australia, and warmer days for the southern two-thirds of the country. Nine of the ten driest winter - spring periods on record for eastern Australia have occurred during El Niño years. El Niño influences the climate patterns of approximately 60 per cent of the globe with Australia set for unseasonably hot and dry weather in the coming months.

This weather outlook could be a positive for the three climate-controlled glasshouses owned by the Fund as clearer days should result in increased production levels within the glasshouses. Hot and dry weather, and the corresponding reduced cloud cover typically result in increased daily sunlight hours and increased production yields.

The warm and dry weather experienced over the winter months also resulted in ideal growing conditions in one of Australia's largest field tomato regions, Bowen, near Queensland's Whitsundays. This has resulted in a significant growth in harvest yields and the volume of supply from field tomato producers. As a result of this increase in supply the farm gate price for truss tomatoes is currently significantly below the long term average price.

Monthly distribution (previous 6 months¹)

	APR 23	MAY 23	JUN 23	JUL 23	AUG 23	SEP 23
Distribution (CPU) ²	0.4583	0.4583	0.4583	0.4583	0.4583	0.4583

October 2023 distribution rate confirmation³

We are pleased to confirm October 2023 distribution guidance at 5.50 cents per unit (annualised). The October 2023 target distribution rate reflects a yield of approximately 5.51% (annualised) on the Fund's 30 September 2023 Unit Price of \$0.9973. However, please note that this target distribution rate reflects the current performance of the Fund and assumes all tenants will satisfy their contractual obligations under their respective leases within a timely manner. It also assumes there are no significant unforeseen capital costs or material changes to the Fund's financial obligations, which includes debt costs. If any change to the target distribution rate is required, an out of cycle update will be provided to investors.

Portfolio valuation

The Fund's seed asset, the Flavorite Warragul glasshouse, was subject to an independent valuation as at 30 June 2023 and the asset value was increased by \$1.0m (+0.56%) as a result of the passing rent increasing to \$10.3 million and the capitalisation rate softening to 5.75%.

The Fund's other two properties, the Sundrop Farms glasshouse in Port Augusta and the Costa glasshouse in Guyra were subject to Directors' valuations as at 30 June 2023 with asset values for both being held constant. Each facility was independently valued recently as part of the due diligence process at acquisition.

A valuation of the portfolio has recently been instructed as of 31 December 2023 and investors will be advised on the updated figures in the December 2023 quarterly fund update.



SUNDROP FARMS, PORT AUGUSTA SA

Debt summary

The Fund has secured a three-year \$106.2 million finance facility with Rabobank at a margin of 1.45% p.a., maturing 13 July 2025 and a five-year \$60 million finance facility with the Commonwealth Bank of Australia at a margin of 1.75% p.a., with \$20 million of this facility maturing 15 December 2027 and the remaining \$40 million of this facility maturing 30 March 2028. As at 30 September 2023, the Fund had \$157.82 million drawn, with a total facility limit of \$166.2 million, giving the Fund \$8.38 million in undrawn debt headroom that can be deployed for the purpose of new acquisitions. The Fund has hedged \$80 million at a rate of 3.59% (in addition to the bank margin of 1.45% p.a.) until 15 June 2026 with another \$74 million hedged at a rate of 3.10% (in addition to the bank margin of 1.75%) until 15 June 2025. Details of the Fund's current debt facilities are noted below.

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$166.20m ⁴	
Undrawn amount	\$8.38m ⁴	
Weighted average facility term	2.73 years	
% of debt hedged	98.1% ⁴	
Loan to value ratio (LVR)	48.7% ⁵	60%
Interest coverage ratio (ICR)	2.88 ⁶	2.00

Fund continues to assess potential acquisition targets

The Fund is actively pursuing potential acquisitions in the protected agriculture space with similar characteristics to the current glasshouses owned by the Fund. All potential acquisitions being assessed are high-quality sustainable agricultural assets which are well positioned to benefit from the continued growing demand for fresh food produce. We look forward to providing investors with information on any new acquisitions in future Fund updates.



SUNDROP FARMS, PORT AUGUSTA SA

1. The implementation of the Stapled Fund occurred on 20 July 2022, which is the inception date of the Fund.
2. Cents per Unit (CPU). Distribution figures are monthly and are not annualised.
3. The target distribution rate is not a forecast, is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of the as Responsible Entity (RE) of the Fund. The actual returns may differ from the target return. Distributions may change (up or down) as the Fund adds more assets to the portfolio. In addition, the RE 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.
4. As at 30 September 2023.
5. The LVR is as at 30 September 2023, based on independent valuations as defined under the debt facility agreements.
6. As at 30 June 2023.

Investment portfolio¹ as at 30 September 2023

	FUND WEIGHTING (%)	VALUATION (\$M)	PROPERTY VALUATION CAP RATE (%)	OCCUPANCY (%)	WALE (BY INCOME)
Direct properties					
264 Copelands Road, Warragul	53.97	178	5.75	100	18.18
709 Port Augusta Highway, Port Augusta SA	21.23	70	6.50	100	19.22
160 Elm Street, Guyra NSW	23.05	76	6.75	100	14.51
Liquid assets					
Cash	1.76	5.79			
Total investment portfolio	100%				

Portfolio geographic diversification



New South Wales 23.5%	160 Elm Street, Guyra NSW
South Australia 21.6%	709 Port Augusta Highway, Port Augusta
Victoria 54.9%	264 Copelands Road, Warragul

Centuria investor website

You can access all information relating to your Centuria investments at centuriainvestor.com.au.

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1. Updated on a quarterly basis and for significant portfolio changes. The valuation information is outlined on the Fund's continuous disclosure page.