

Centuria

Fund Update
September 2023

Centuria Healthcare Direct Medical Fund No. 2

(ARSN 602 267 514 APIR HTH0015AU)

Key points

- The NAV per unit decreased by \$0.086 during the June 2023 quarter from \$1.34 per unit to \$1.26¹ primarily driven by property portfolio revaluations.
- The Manager has completed 3 leasing deals across Coorparoo, Yarrabilba & Maroochydore.
- The portfolio is underpinned by Weighted Average Lease Expiry (WALE) by income of 5.3 years and portfolio occupancy of 97%.
- Distributions for the September 2023 quarter are expected to be 1.7125 CPU in line with distribution guidance for FY24 (6.85 CPU annualised).

Fund Summary

The **Centuria Healthcare Direct Medical Fund No.2** (Fund) distribution for the September 2023 quarter is 1.7125 CPU, in line with the FY24 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.

The NAV per unit decreased by 8.66 CPU during the June 2023 quarter from \$1.34 per unit to \$1.25 per unit predominantly impacted by investment property valuations undertaken as at 30 June 2023 resulting from softening in cap rate from 5.28% to 5.49%.

The portfolio's occupancy as at 30 June 2023 has been retained at 97%, and the near-term income streams of the portfolio has been further de-risked with a 7 year renewal to Collaboration Medical Clinics at Coorparoo (336 sqm), 10 year new lease to Sushi Way at Maroochydore (126 sqm) and 5 year renewal to RP Squared at Yarrabilba (52sqm).

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. The audited financial report for the half year ending 30 June 2023 is available to download from CenturiaInvestor.com.au.

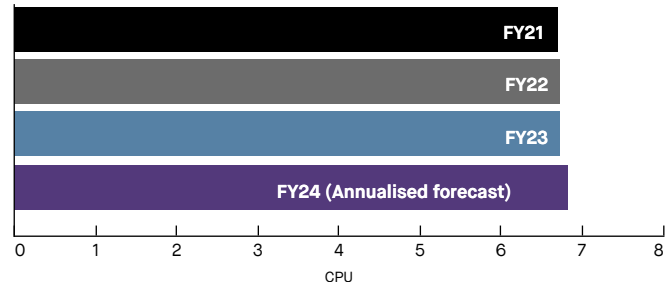


Financial snapshot

Fund commencement date	June 2017
Net Asset Value (NAV)	\$1.2563 ²
Distribution rate (cents per unit)	6.85 ³
Weighted average lease expiry (WALE) (years)	5.3 ⁴
Next investor vote on term of Fund	June 2024

Distribution details

ANNUALISED DISTRIBUTION



The distribution for the September 2023 quarter is 1.7125 CPU, which is in line with the FY24 forecast of 6.85 CPU (annualised).

Past performance is not reliable indicator of future performance. Given the current volatility in interest rate forecasts, the distribution assumption may need to be reviewed. Should interest rates normalise at higher (or lower) than forecast levels, distributions may be revised. This forecast distribution rate also 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 and no material changes to the Fund's financial obligations.

1. As at 30 June 2023

2. Based on the audited 30 June 2023 financial accounts.

3. Annualised. Forecast FY24 full year distribution based on 1.7125 CPU per quarter. 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 30 September 2023

Portfolio statistics

	INITIAL ¹	JUN-20	JUN-21	JUN-22	JUN-23
Net asset value (NAV)	\$0.8362	\$0.9159	\$1.0240	\$1.3328	\$1.2563 ²
Portfolio occupancy rate	100%	97%	91%	94%	97% ³
Weighted average lease expiry (WALE) (years)	8.7	7.1	6.9	5.9	5.3 ³

Top five tenants by net lettable area (NLA)

Healius	21%
GenesisCare	11%
Queensland Health	9%
Vision Eye Institute	8%
Vision Eye Institute	8%
Other	43%

Occupancy is 97% with a WALE by income of 5.3 years as at 30 September 2023.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit (\$m)	\$140.0M ⁴	
Undrawn amount (\$m)	\$1.5M ⁴	
Loan expiry	27-Jun-24	
% of debt hedged	51%	
Loan to value ratio (LVR)	40.91% ⁵	55%
Interest cover ratio (ICR)	3.72x ⁶	2.5x

The interest cover ratio (ICR) determines the Fund's ability to pay interest expense on outstanding debt. A higher ICR indicates the Fund has more funds available to pay its interest costs. The Fund's lender requires a minimum ICR covenant of 2.00 times and the Fund's ICR is 3.72 times. The Manager will continue to closely monitor the interest rate/yield curves to consider strategies such as hedging to mitigate future interest rate volatility.

The loan to value ratio (LVR) calculates the amount of debt against the value of the Fund's properties. The LVR covenant for the Fund is 55% and the Fund's actual LVR is 40.91%. This has been held relatively constant from 39.40% during the previous covenant test.

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 financial year ending 30 June 2023 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 2023 financials.

3. As at 30 September 2023.

4. As at 30 September 2023

5. The LVR is based on the most recent independent valuations as defined under the debt facility agreement as at 30 June 2023.

6. The stated ICR figures are based on the most recent audited financial statement as at 30 June 2023.

Portfolio details

PROPERTY ADDRESS	DEC 2022 VALUATION	DEC 2022 CAP RATE	JUN 2023 VALUATION	JUN 2023 CAP RATE	WALE ¹	OCCUPANCY ²	VALUER
332-342 Old Cleveland Road, Cooparoo QLD	\$22,650,000	5.25%	\$21,800,000	5.50%	3.6	100%	Internal
401-409 Milton Road, Auchenflower QLD	\$50,350,000	5.25%	\$47,250,000	5.38%	3.0	89%	Savills
18 Prowse Street, West Perth WA	\$11,750,000	5.25%	\$11,250,000	5.35%	5.1	100%	Colliers
2-24 Waldron Street, Yarrabilba QLD	\$13,750,000	5.75%	\$13,300,000	6.00%	7.7	100%	Internal
16-24 Weippin St, Cleveland QLD	\$45,900,000	5.50%	\$44,700,000	5.50%	3.9	100%	Savills
56 Rosemont Street, Wollongong NSW	\$2,800,000	5.50%	\$2,800,000	5.50%	4.8	100%	Colliers
11-19 Riverview Place, Murarrie QLD	\$68,000,000	4.50%	\$62,000,000	5.00%	12.2	100%	CBRE
375A/377 Concord Rd, Concord NSW	\$18,250,000	5.00%	\$17,500,000	5.25%	6.0	100%	Internal
6 Lubich Way, Mira Mar WA	\$4,400,000	5.25%	\$4,100,000	5.75%	5.7	100%	CBRE
60-62 Dalton Drive, Maroochydore QLD	\$45,100,000	5.75%	\$45,400,000	5.75%	3.2	93%	Internal
4 Baker Court, West Albury NSW	\$6,300,000	6.50%	\$6,300,000	6.50%	2.0	100%	Internal
2-6 Meurant Ave, Wagga Wagga NSW	\$10,400,000	6.00%	\$10,100,000	6.25%	0.7	100%	Internal
42-44 Ord Street, West Perth WA	\$15,750,000	5.25%	\$14,800,000	5.75%	5.0	100%	CBRE
956 Gympie Road, Chermside QLD	\$11,800,000	5.50%	\$10,750,000	5.75%	-	100%	M3
100 Murdoch Drive, Murdoch WA	\$19,200,000	5.50%	\$19,600,000	5.50%	8.2	100%	M3
TOTAL/AVERAGE	\$346,400,000	5.28%	\$331,650,000	5.49%	5.3	97%	

The Manager undertook independent valuations for nine assets and director's valuations for six assets as at 30 June 2023. The portfolio valuation decreased by \$14.75 million from \$346.40 million to \$331.65 million. The reduction in valuation is primarily driven by softening in cap rate and this is offset by 3.8% increase in rental income for the 6 months to June 23:

- Murarrie: A reduction in valuation of \$6.0 million, reducing it from \$68 million to \$62.0 million (-8.8%) due to softening in cap rate;
- Auchenflower: A reduction in valuation of \$3.1 million (-6.3%) driven by cap rate softening;
- Chermside: A reduction in valuation of \$1.0 million, reducing it from \$11.8 million to \$10.8 million (-8.9%) due to a softening cap rate due to the lease renewal with ICON still not executed. The Fund awaits ICON receiving FIRB approval to execute the 7 year lease extension;
- Cleveland: A reduction in valuation of \$1.2 million, due to increase in outgoings and capital expenditure allowance.

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. Weighted average WALE by income as at 30 September 2023.
2. Weighted average occupancy by income as at 30 September 2023.
3. Weighted average cap rate as at 30 June 2023

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.