RG 46 Disclosure – Centuria Diversified Property Fund (30 September 2023)

This RG 46 Disclosure document has been prepared by Centuria Property Funds Limited (ABN 11 086 553 639, AFSL 231149) (Centuria) as Responsible entity for the Centuria Diversified Property Fund (Fund), a stapled fund comprising Centuria Diversified Property Fund (ARSN 611 510 699) (CDPF) and the Centuria Diversified Property Fund No.2 (ARSN 645 597 404) (CDPF No.2). It sets out key disclosures required by ASIC's Regulatory Guide 46 – Unlisted Property Schemes: Improving Disclosure for Retail Investors (RG46). RG46 sets out 8 disclosure principles and six benchmarks in relation to those principles to help retail investors compare risks and returns across investments in the unlisted property sector. This document is provided bi-annually and in addition to quarterly investor updates. A paper copy of this RG 46 Disclosure document is available free of charge.

Key risks covered by ASIC's disclosure principles and benchmarks	Centuria's Policy	What does this mean in practical terms and where can this information be found in your Fund Quarterly Update?
Scheme Borrowings and Gearing (Disclosure Principles 1&3 and Benchmark 1) The Principles and Benchmark relate to the extent to which the Fund's assets are funded by interest bearing liabilities and providing disclosure in respect of what this means to investors. Gearing is the level of finance that is used to purchase properties or manage the capital expenditure within a fund. Gearing increases the exposure of unit-holders to movement in the value in the underlying properties in which a fund invests. It can magnify capital gains; however, it can also magnify capital losses. A	***Centuria Complies with ASIC's Benchmark 1*** Centuria has in place a policy in relation to the management of the gearing and interest cover for its funds. Centuria's gearing policy requires a fund's gearing to be set by management from the outset. The level of gearing will be determined on a fund by fund basis based on factors including lender and investor appetite, finance pricing at various gearing levels and ensuring there is sufficient headroom for anticipated financial covenants. Also taken into consideration are expectations of short-term funding requirements for building works, tenant incentives etc.	Your Quarterly Fund Updates have a '**Debt Summary**' section. Within this section we will keep you regularly apprised of the following information in respect of borrowings: • Details of borrowing facilities including any undrawn amounts; • Detail of refinancing due dates and prospects of refinance; and • Debt covenants and debt covenant compliance.

highly geared fund will have a lower asset buffer to rely on in times of financial stress.

The gearing ratio formula as set down by RG46 is:

Total interest bearing liabilities / total assets

It is important to note that borrowings are generally secured by the property(ies) held by the fund and this will mean that repayment of these borrowings ranks ahead of investor's interest in the Fund.

Most facilities will also have conditions that enable the financier to call on the loan if unit holders exercise their rights to remove and replace the Responsible Entity of the Fund.

If a Fund's borrowings are to mature within a short timeframe, it will need to refinance. There is a risk that refinancing will be on less favourable terms or not available at all.

ASIC's Benchmark 1 is for Centuria to have in place a Gearing Policy that governs the gearing within a fund at the individual facility level.

Each financier will set what is known as a Loan to Valuation Ratio (LVR) or Gearing covenant. This covenant is the maximum percentage level of gearing the fund can hold relative to asset values under the financing facility. If this covenant is breached, the financier may exercise its rights under the facility agreement including the imposition of higher interest margins or forcing the sale of the property. It is for this reason that Centuria will seek to set gearing with headroom over the covenant.

As the Fund is a closed multi asset trust a specific gearing target is not set beyond the requirement to seek headroom over the covenant at refinance and then to manage the facility within that covenant.

If financing / refinancing is sought to increase gearing within a fund, this will only occur in accordance with a fund's capital management plan and it must be in the best interest of unit-holders and in accordance with the fund constitution and disclosure documents.

Centuria monitors both the Gearing and Interest Cover Ratio (ICR) covenants for each fund on a monthly basis at formal monthly treasury meetings and a monthly property executive committee meeting. During these meetings, management will take active steps to manage gearing and ICR within the debt covenants where possible. The measures available to manage

Fund Gearing Ratio (30/06/2023)

Total Interest-Bearing Liabilities: $86,207,000

Total Assets $242,051,000

Gearing: 35.62%

Based on the audited accounts (30/06/2023); calculated as total interest-bearing liabilities over total assets in accordance with ASIC RG46 requirements.

Fund Gearing (look through): 39.00%

Gearing is weighted by portfolio allocation as at 30/06/2023 in accordance with the Fund's gearing policy. The gearing calculation applies 'zero' gearing against investments in AREIT's and cash.

Facility Interest Rate

The total cost of interest-bearing liabilities over the 6 month period to 30 June 2023 was 4.39% (annualised) calculated by total interest expense over the period divided by interest bearing liabilities as at 30 June 2023. This includes the cost of the bank margin, any fixed interest rate and any floating facility rate.

	gearing and ICR covenants will vary between funds and are subject to commentary in Centuria's quarterly investor updates. Where a covenant is breached Centuria will work in consultation with the financier to take appropriate steps to manage the breach and to do so in the best interests of unit holders. A summary of Centuria's Gearing and ICR Policy is available on request from Centuria.	**Debt Covenant Sensitivities** Under the terms of the debt facility the Fund is required to comply with certain loan covenants over the course of the financial year. Based on the audited financial report as at 30 June 2023, the Fund is compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Valuation Ratio (LVR). The value of the properties (based on the 30 June 2023 independent valuations) would have to fall by 29.1% for the Fund to breach its LVR covenant. The income of the Fund would have to fall by 41.6% for the Fund to have breached its ICR covenant over the past 12 months. **Fund Interest Rate Hedge**

<table>
<tr>
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<td>The Fund recently entered into two interest rate hedges. The details are outlined below.
<table>
<tr><th>Derivative</th><th>Interest Rate Swap</th><th>Interest Rate Swap</th></tr>
<tr><td>Notional ($)</td><td>18,000,000</td><td>10,000,000</td></tr>
<tr><td>Start Date</td><td>17 July 23</td><td>2 January 24</td></tr>
<tr><td>End Date</td><td>30 June 24</td><td>30 June 24</td></tr>
<tr><td>Market Rate (BBSY)</td><td>4.29%</td><td>4.29%</td></tr>
<tr><td>Target Rate (BBSY)</td><td>0.65%</td><td>0.65%</td></tr>
<tr><td>Trade Cost</td><td>A$653,700</td><td>A$189,180</td></tr>
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<td>Interest Cover Ratio and Interest Cover Policy (Disclosure Principle 2 and Benchmark 2)

This Principle and Benchmark relates to how the Fund’s cost of liabilities (interest cover) is maintained and providing disclosure in respect of what this means to investors.

A geared fund will incur an interest expense that will increase with the size of the loan or interest rate margins applied by the financier. A higher geared fund will be more sensitive to interest rate moves.</td>
<td>Centuria complies with ASIC Benchmark 2

Centuria has in place a policy in relation to the management of the gearing and interest cover for its funds.

Centuria’s policy requires management to endeavour to maximise the buffer between the forecast ICR for the fund over that of the facility ICR covenant. A specific target ICR is not set beyond the requirement to seek headroom over the covenant at refinance and then to manage the facility within that covenant.

See above for further detail on Centuria’s Gearing and ICR Policy.</td>
<td>The ICR of the Fund is included in the ‘Debt Summary’ section of the Quarterly Fund Update.</td>
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An Interest Cover Ratio (ICR) is a measure of a funds ability to meet its interest expenses from the earnings of the fund. The ICR is a key indicator of a Fund's financial health. The closer a fund is to an ICR of 1, the closer the funds cash flow is to meeting interest expenses only. If the ICR falls below 1, the fund earnings are insufficient to meet interest expenses. Each financier will set an ICR covenant. The covenant will set the minimum ICR that the fund must hold. The gearing ratio formula as set down by RG46 is: *EBITDA – unrealised gains + unrealised losses / interest expense* **ASIC's Benchmark 2** is for Centuria to have in place a Policy that governs the management of Interest Cover within a fund at the individual facility level.	A copy of Centuria's Gearing and ICR Policy is available on request from Centuria.	
Interest Capitalisation (Benchmark 3) Interest capitalisation means the Fund is not required to make interest payments until an agreed point in time. Interest is therefore	***Centuria complies with ASIC Benchmark 3*** Centuria does not capitalise interest in this Fund.	n/a

capitalised on the value of the Fund's financing facility. This will increase the gearing in the fund. **ASIC's Benchmark 3** states that the interest of the Fund should not capitalised.		
Portfolio Diversification (Disclosure Principle 4) Generally, the more diversified a portfolio is, the lower the risk than an adverse event affecting one property or one lease will put the overall portfolio at risk.	The Centuria Diversified Property Fund (Fund) aims to provide monthly tax effective income and the potential for long term capital growth by investing in a diversified portfolio consisting of predominantly office, industrial and retail property assets located within Australia. The Fund intends to invest across a range of properties providing diversification by property, sector, geographic location and tenancy mix. The Fund has acquired interests in real property both directly and indirectly via investing in units in unlisted property schemes.	The Quarterly Fund Updates and monthly Fact Sheets detail of the Fund's investments, and respective investment weighting of these investments. They also provide the underlying carrying value. The latest versions can be located at centuria.com.au/CDPF
Valuations (Benchmark 4) Investing in a property scheme exposes investors to movements in the value of the scheme's assets. Investors therefore need information to assess the reliability of valuations. **ASIC's Benchmark 4** addresses the way in which valuations are carried out on the Fund's assets. The benchmark requires Centuria to maintain and comply with a written valuation policy that requires:	***Centuria complies with ASIC Benchmark 4*** Centuria has implemented a Property Valuation Policy for the valuation of property assets held by each of its property funds that meets ASIC's Benchmark 4. Under Centuria's policy, valuations are classified as either an Internal Valuation or an Independent Valuation. An Internal Valuation is a valuation undertaken by Centuria and approved by Centuria's Board. It is commonly referred to as a Director's Valuation. An Independent Valuation is a valuation undertaken by an	Centuria has a Property Valuation Policy in place and has complied with the policy for the entire period since the last RG46 Statement was issued. Investors may contact Centuria for a copy of the full Property Valuation Policy. The Quarterly Fund Updates and monthly Factsheets include a table setting out the latest carrying values of the Fund's investments.

(a) a valuer to: *(i) be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and* *(ii) be independent;* *(b) procedures to be followed for dealing with any conflicts of interest;* *I rotation and diversity of valuers;* *(d) valuations to be obtained in accordance with a set timetable; and* *I for each property, an independent valuation to be obtained:* *(i) before the property is purchased:* *(A) for a development property, on an 'as is'* *and 'as if complete' basis; and* *(B) for all other property, on an 'as is' basis;* *and* *(ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.*	external valuer in accordance with Centuria's policy. Both Internal and Independent Valuations may be adopted for the purposes of statutory and financial reporting or to advise investors in a fund of the current market value of the property. All properties are independently valued prior to purchase by any of Centuria's Registered Managed Investment Schemes. Centuria's Property Valuation Policy also requires investment properties to be independently valued at least once every 24 months. However, in practice, Independent Valuations are generally conducted annually for each of Centuria's registered managed investments schemes or such other times required by a fund's financier. Whilst annual valuations are conducted, a further external valuation will be conducted within two months of the directors determining that there is likely to be a material change in the value of the property. This will usually arise where the directors identify a material change during the process of completing a directors' valuation. All external valuers engaged to conduct an Independent Valuation must be approved valuers on Centuria's valuation panel and can only be appointed to the panel if they meet criteria in relation to qualifications, experience and independence. Centuria's valuation panel is also designed to provide a diversity of valuers.	

	Centuria's policy requires adequate rotation of valuers such that no valuer may perform an Independent Valuation more than three times consecutively. A valuer appointed from the valuation panel must also have no conflicting interests. Valuations are conducted on an 'as is' basis using either a Discounted Cash Flow or Capitalisation Approach. The Capitalisation Approach is the primary method and involves dividing the annual fully leased net income of a property by the appropriate capitalisation rate. The capitalisation rate is determined by analysing recent sales with similar characteristics to the subject property, and calculating what the annual net market income of the property is as a percentage of the sale price. The Discounted Cash Flow Analysis, which compliments the Capitalisation Approach and essentially acts as a check method, allows an investor or owner to make an assessment of the property's current value and likely long-term return based on rental and capital growth assumptions over an assumed investment horizon, which is generally 10 years.	
Related Party Transactions (Disclosure Principle 5 and Benchmark 5)	***Centuria meets ASIC Benchmark 5*** Centuria has a Group wide Conflicts of Interest Policy that governs the way in which conflicts of interest are managed. The primary examples of the conflicts of	**Related Party Transactions** The Fund invests in unlisted property schemes, managed by Centuria Property Funds Limited. All of these transactions are

This Principle and Benchmark relates to Centuria's Policy for related party transaction and how this is disclosed to investors. **ASIC's Benchmark 5** requires Centuria to maintain and comply with a written policy on related party transactions, including the assessment and approval processes for such transaction and arrangement to manage conflicts of interest. A conflict of interest may arise where there is the potential for the interests of the Responsible Entity (and its related entities) and the interests of unit-holders to conflict.	interest that applies to Centuria's property funds is the appointment of related parties to perform property management services and investments in Centuria unlisted property funds. The9onflictt of interest policy requires these conflicts to be assessed and steps implemented by Centuria's compliance department to manage the conflict. The Board of the Responsible Entity must also approve any conflict of interest measures. Where a conflict arises, Centuria's conflict measures are to ensure that the appointment is in the best interest of members and on arm's length commercial terms.	subject to Centuria's Conflicts of Interest Policy. Details of these investments are noted in the Quarterly Fund Updates or on the continuous disclosure section of Centuria's website. To assist the Fund, Centuria Capital Group will support acquisitions by investing into the Fund via special class acquisition units or ordinary units. The acquisition units acquired by the Centuria Capital Group rank equally with ordinary units in terms of distributions and price per unit, except that acquisition units carry a priority for redemption over ordinary units but only from the proceeds of the issue of new ordinary units. Both the issue price and the withdrawal price of these acquisition units are at the prevailing unit price of ordinary units at the relevant times. The details are Disclosed to investors on the Fund's RG46 continuous disclosure website. Centuria Property Services (CPS) and Centuria Business Services (CBS) have also been appointed to offer various services for the direct assets held by the Fund including property and facilities management, leasing,

		development, project management services and administrative services. The appointment of CPS and CBS is conducted in line with Centuria's Conflicts of Interest Policy on arm's length commercial terms. As disclosed in the 30 June 2023 Financial Report for the Fund, the combined fees that CPS and CBS earned for these services was $559,171 for the year to 30 June 2023. CPS and CBS are appointed in accordance with Centuria's Conflict of Interest Policy and Centuria regularly appraise any fees against other providers to ensure that the engagement remains on arm's length commercial terms.
Distribution Practices (Disclosure Principle 6 and Benchmark 6) **ASIC's Benchmark 6** requires the Fund to only pay distributions from its cash from operations (excluding borrowings) available for distribution. Some property schemes make distributions partly or wholly from unrealised revaluation gains, capital, borrowings, or support facilities arranged by the responsible entity, rather than solely from cash from operations available for distribution. This may not be commercially	***Centuria does not comply with ASIC Benchmark 6*** The Manager pays distributions from Funds from Operations. The Fund's FFO is the net profit of the Fund adjusted for certain non-cash and other items such as unrealised gains or losses, amortisation of tenant incentives, rent straightlining, and other unrealised one-off items. Whilst the Manager predominantly pays distributions based on the Fund's effective income, some distributions to Investors may comprise a component of capital. This is because the Manager may apply some	The Fund's monthly Fact Sheets include details on distributions paid under the '**Monthly Distribution**' table. Distributions for the 2023 Financial Year will be paid from cash operations available for distribution, and where applicable, accumulated working capital of the fund. The partial payment of distributions from accumulated working capital allows the Fund to smooth distributions between periods. This approach will reduce the amount of

sustainable over the longer term, particularly when property values are not increasing.	cash from outstanding tenant incentives and from amounts held to support property vendor rental guarantees to assist in paying distributions (which is in line with FFO distribution practice). The Manager expects that whilst some distributions. may include an amount of capital, this amount will not be material.	accumulated working capital available in the Fund. From time to time the Fund may draw upon the debt facility to pay for various items including capital works, leasing fees, and lease incentives. Distributions are forecast on an annual basis at the commencement of each Financial Year and confirmed annually in the June Quarterly Report. In the six months to 30 September 2023, the Fund did not issue any out of cycle updates.
Withdrawal arrangements (Disclosure Principle 7) This Disclosure Principle addresses disclosure of withdrawal arrangements within the Fund. Often property schemes will have limited or no withdrawal rights. This means that they are usually difficult to exit.	Generally, the Fund will offer Investors the opportunity to withdraw their investment on a monthly basis. This is a limited monthly withdrawal facility. It is expected that this will be satisfied from the Fund's cash and/or realisation of the Fund's listed A-REIT investments. If the limited monthly withdrawal facility is offered, then at the beginning of the relevant month the estimated amount available for withdrawal will be determined by Centuria and will be set out on Centuria's website at centuria.com.au/cdpf. The actual amount available will	Currently, the limited quarterly withdrawal facility is offered. When offered, the Fund will offer quarterly withdrawals, capped at 2.50% of the Fund's Net Asset Value. Over the past three quarters, due to an increased level of requests, the Fund has scaled redemptions by between 50% and 85%. Withdrawals may be suspended in certain circumstances or generally if the satisfaction of

	then be determined as at the day before the withdrawals are processed.	all withdrawal requests would compromise the operation of the Fund, if it is impracticable or impossible for Centuria to calculate the withdrawal price, or when Centuria otherwise determines it to be in the best interests of all Investors. In addition, Centuria must at all times ensure Investors are not unfairly treated by any withdrawal facility offered. Centuria may therefore vary the terms and conditions of any withdrawal facility to ensure the fair and equal treatment of all Investors. Any suspension or variation of the withdrawal facility will be communicated to Investors on Centuria's website at centuria.com.au/cdpf. The Fund will notify Investors via the website should the liquidity facility be withdrawn. The Fund's Continuous Disclosure website has included information relating to any scale backs associated with the Fund's limited quarterly liquidity facility.
Net Tangible Assets (Disclosure Principle 8) This Disclosure Principle addresses disclosure of the net tangible asset (NTA) backing per unit of the Fund.	Centuria has implemented written procedures that governs the timing and calculation of Net Tangible Asset Backing per unit (referred to by Centuria as Net Asset Backing or NAB).	The current NAB of the Fund is detailed in the latest audited financial accounts, which is available to download via the Centuria Investor online portal. The Funds daily unit price is

The net tangible asset (NTA) backing of a scheme gives investors information about the value of the tangible or physical assets of the scheme. The initial and ongoing NTA backing may be affected by various factors, including fees and charges paid up-front for the purchase of properties, costs associated with capital raising, or fees paid to the responsible entity or other parties.	NAB calculations are updated after the completion of audited half year and full year financial statements.	available on the Fund's website at centuria.com.au/cdpf. Full unit price history is available on the Fund's website. http://centuria.com.au/diversified-fund/investor-centre/unit-price-history/
Continuous Disclosure (ASIC Regulatory Guide 198) The Fund is subject to the requirements of continuous disclosure whereby Centuria is required continually keep investors apprised of material information likely to affect the value of the Fund.	Centuria achieves compliance with the continuous disclosure requirements by the publishing and updating the following information of the Fund's webpage: • Continuous disclosure notes • Unit price history • Portfolio information	The Fund has a continuous disclosure page on the Fund's website. https://centuria.com.au/diversified-property-fund/investor-centre/