

# Centuria

## Quarterly fund update December 2023 Centuria Agriculture Fund

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

### December 2023 quarter performance highlights

- The Centuria Agriculture Fund (Fund or CAF) is pleased to announce that it has settled on its fourth asset during the quarter, increasing the Fund's assets under management (AUM) to \$351.25 million and cementing the Fund as the largest owner of protected cropping assets in Australia, totalling 90.5 hectares.
- The P'Petual property, which is located in Riverlea Park, South Australia was acquired on 21 December 2023 and provides 12 hectares of protected cropping assets within a 59 hectare land parcel.
- As at 31 December 2023, the Fund's drawn debt is 92.66% hedged until 15 June 2025.
- Portfolio remains 100% occupied with a weighted average lease expiry (by income) of 16.6 years as at 31 December 2023.
- December quarter distributions have been paid at an annualised rate of 5.50 cents per unit, reflecting a yield of approximately 5.64% on the Fund's 31 December 2023 unit price of \$0.9786.

### Fund settles on fourth asset

We are excited to announce that the Fund has secured its fourth high quality asset, the P'Petual facility in Riverlea Park SA. The asset is located approximately 38 kilometres north of the Adelaide CBD near the town of Virginia, in an area known as the food bowl of South Australia due to its extensive horticultural production. The acquisition features a 10-year triple-net lease and following the purchase, the Fund's portfolio has increased to \$351.25 million with a WALE of 16.6 years. As with previous acquisitions, this latest purchase is also aligned with the Fund's investment rationale to deliver stable income returns with the potential for capital growth through a national portfolio of high quality, sustainable agricultural assets, leased to strong tenant covenants that are situated in strategic locations. The property provides 12 hectares of protected cropping within a 59-hectare land parcel. This includes six hectares of glasshouses and six hectares of double skinned plastic greenhouses. Additionally, the asset includes large packing sheds along with onsite energy, fertigation and reverse osmosis infrastructure as well as c.40ML of dams and 205ML bore water licences. There is also an opportunity to add value through expanding the operation on the site as Development Approval has been granted for an additional 4 hectares of glasshouses on the Property, which can be accommodated with the existing infrastructure in place.



234 CARMELO ROAD, RIVERLEA PARK

### Market update

The Australian property market continues to adjust following what has been a highly aggressive interest rate tightening cycle.

The RBA held interest rates steady at 4.10% between June 2023 and November 2023, before increasing the cash rate target by a further 25 bps to 4.35%, in order to be more assured that inflation would return to target in a reasonable timeframe.

Looking ahead, Australia's big four banks currently forecast the RBA will reduce the cash rate by 25 and 50 bps in the second half of 2024<sup>1</sup>, which is anticipated to positively impact property values.

Furthermore, there are a number of interesting economic and demographic fundamentals that also provide a positive outlook for commercial real estate over the medium term, including the following<sup>2</sup>:

- Australia's population is expected to grow by 1.1 million people from 2023 to 2025 and by 4.0 million to 2033.
- 1.3 million more people are employed now than pre-COVID: Healthcare +34%, "traditional white collar" jobs +27%, construction +11%, education +11%, and transport/warehousing +7%.
- Estimated additional 2.6 million Australians will be working during the next 10 years.
- There are c.150,000 job vacancies in Australia, broadly in line with pre-COVID figures illustrating normalisation.
- There has been an 11% increase in wages during the past three years.
- Food security is increasingly a global concern. Australia and New Zealand account for +10% of global trade in barley, beef, canola, lamb, milk powder, sugar cane, wheat and wool.

Centuria anticipates these economic indicators should underpin future demand across property sectors within its portfolio to the potential benefit of investors. As the current environment is constantly evolving, Centuria will continue monitoring market and economic conditions closely and will provide regular updates as necessary.

1. Source: Bloomberg's RBA Cash Rate Survey 4 December 2023

2. Source: CBRE Research

## Key portfolio metrics as at 31 December 2023

Property assets	4
Property portfolio	\$351,250,000
Weighted average capitalisation rate	6.50%
Number of tenants	4
Fund WALE (years)	16.6
Fund occupancy	100%

## Agricultural update

In September 2023, the Bureau of Meteorology (BOM), confirmed that the El Niño weather pattern was active over Australia for the first time in eight years. 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, and as such, Australia was set for unseasonably hot and dry weather for the remaining months of 2023. The August 2023 to October 2023 period was Australia's driest three months on record since 1900. However, November 2023 and December 2023 brought heavy rainfall and floods for parts of Victoria and New South Wales along with Cyclone Jasper resulting in floods in Queensland. The El Niño weather pattern was expected to be a positive for the climate-controlled glasshouses owned by the Fund as clearer days typically result in increased production levels within the glasshouses. Instead, the resulting wet weather at the end of 2023, and the corresponding cloud cover resulted in below average daily sunlight hours and reduced production yields.

The 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 resulted in a short-term oversupply of tomatoes from field producers. As a result of this increase in supply the market price for tomatoes during the August 2023 to October 2023 period were significantly below the long-term average price and the cost of production. Pleasingly, this supply has now washed through the market and tomato prices have normalised as paddock production has come to an end. As a result, our glasshouse operators are currently experiencing significantly higher income which is one of the benefits of the countercyclical nature of glasshouse operations.

## Monthly distribution (previous 6 months<sup>1</sup>)

	JUL 23	AUG 23	SEP 23	OCT 23	NOV 23	DEC 23
Distribution (CPU) <sup>2</sup>	0.4583	0.4583	0.4583	0.4583	0.4583	0.4583

## December 2023 distribution rate confirmation<sup>3</sup>

We are pleased to confirm January 2024 distribution guidance at 5.50 cents per unit (annualised). The January 2024 target distribution rate reflects a yield of approximately 5.64% (annualised) on the Fund's 31 December 2023 unit price of \$0.9786. 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

Three of the Fund's assets, the Flavorite Warragul glasshouse, the Sundrop Farms glasshouse in Port Augusta and the Costa glasshouse in Guyra were subject to independent valuations as at 31 December 2023 with asset values for all being held constant as a result of the passing rents increasing and the capitalisation rate softening by 0.25% for all three assets.

The Manager also had the Fund's fourth asset, P'Petual facility in Riverlea Park, most recently valued by Knight Frank in December 2023 (during acquisition). All of the Fund's assets will be revalued as at 30 June 2024, with details to be provided in the June 2024 quarterly update.



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.

## 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. The Fund also secured a new five-year \$25 million finance facility with Australia New Zealand Bank in December 2023 at a margin of 1.75% p.a., maturing 31 December 2028.

As at 31 December 2023, the Fund had \$166.2 million drawn, with a total facility limit of \$191.2 million, giving the Fund \$25 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
<b>Total facility limit</b>	\$191.20m <sup>1</sup>	
<b>Undrawn amount</b>	\$25.00m <sup>1</sup>	
<b>Weighted average facility term</b>	2.81 years	
<b>% of debt hedged</b>	92.7% <sup>1</sup>	
<b>Loan to value ratio (LVR)</b>	47.3% <sup>2</sup>	60%
<b>Interest coverage ratio (ICR)</b>	2.54 <sup>1</sup>	2.00

## Fund continues to assess potential acquisition targets

The Fund is actively pursuing potential acquisitions in the protected cropping space with similar characteristics to the current assets 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. As at 31 December 2023.

2. The LVR is as at 31 December 2023, based on independent valuations as defined under the debt facility agreements.

## Investment portfolio<sup>1</sup> as at 31 December 2023

	FUND WEIGHTING (%)	VALUATION (\$M)	PROPERTY VALUATION CAP RATE (%)	OCCUPANCY (%)	WALE (BY INCOME)
<b>Direct properties</b>					
264 Copelands Road, Warragul VIC	53.97	178.00	6.00	100	17.93
709 Port Augusta Highway, Port Augusta SA	21.23	70.00	6.75	100	18.96
160 Elm Street, Guyra NSW	23.05	76.00	7.00	100	14.26
234 Carmelo Road, Riverlea Park SA	7.63	27.25	7.75	100	9.98
<b>Liquid assets</b>					
Cash	1.61	5.76			
<b>Total investment portfolio</b>	<b>100%</b>				

### Portfolio geographic diversification



<b>New South Wales</b> 21.6%	160 Elm Street, Guyra
<b>South Australia</b> 27.7%	709 Port Augusta Highway, Port Augusta 234 Carmelo Road, Riverlea Park
<b>Victoria</b> 50.7%	264 Copelands Road, Warragul

### Centuria investor website

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