

Centuria

Fund Update
March 2024

Centuria Government Income Property Fund No. 2

(ARSN 653 978 753)

Key points

- As at 31 December 2023, the Net Asset Backing of the Fund is \$0.73 per unit
- Forecast distributions for FY24 confirmed at 4.75 cents per unit (annualised)
- The property is 98.7% leased with a Weighted Average Lease Expiry (WALE) of 9.0 years

Fund summary

Distributions for the **Centuria Government Income Property Fund No. 2** (Fund) continue to be paid at 4.75 cents per unit (annualised), which is in line with the forecast for the 2024 financial year. The corresponding distribution statement for the Fund can be accessed from our online investor portal at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au).

31 December 2023 Net Asset Backing

The 31 December 2023 audited financial report is now available to download from the online investor portal at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au), which confirms the Net Asset Backing (NAB) of units in the Fund decreased from \$0.80 (as at 30 June 2023) to \$0.73 (as at 31 December 2023). This was driven by the capitalisation rate being softened a further 25 basis points to 5.625%, primarily due to prevailing market conditions and the cost of debt.

Financial snapshot

Fund commencement date	2 Dec 2021
Unit price	\$0.76 ¹
Net asset backing	\$0.73 ²
Distribution rate (cents per unit)	4.75 ³
Weighted average lease expiry (WALE) (years)	9.0 ⁴
Next investor vote on term of Fund	2 Dec 2026

As outlined in the Product Disclosure Statement, units were issued at \$1.00 per unit. Thereafter, the unit price will reflect the NAB per unit with adjustments made for the amortisation of certain fees and expenses on a straight-line basis over five years.

1. As at 31 December 2023.

2. Based on the most recent audited accounts as at 31 December 2023. Without the Mark to Market of the Fund's interest rate swap, the NAB per unit in the Fund would be \$0.70.

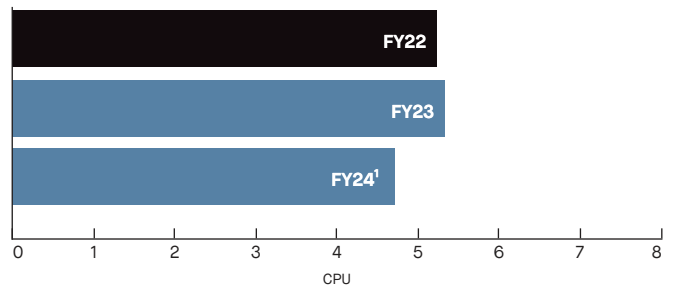
3. March 2024 quarter, annualised.

4. As at 1 February 2024.



Distribution details

ANNUALISED DISTRIBUTION



1. Forecast (annualised).

The distribution rate of 4.75 cents per unit (annualised) is in line with the 2024 financial year forecast. However, please note, this forecast 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.

In relation to the 2025 financial year, given the existing hedging arrangements, which are outlined in the Debt Summary section, the Fund's forecast distribution will reduce quite significantly since the 'all-in' cost of debt is anticipated to increase from approximately 3.00% p.a. to around 4.25% p.a. However, the rate will be confirmed to investors in June 2024 and subject to the Fund's loan to valuation ratio against the bank covenant of 60%, following the 30 June 2024 valuation.

Property details

ASSET VALUES	
Property address	25 Nile Street, Port Adelaide SA
Purchase price (Dec 21)	\$62.8m
Previous valuation - Independent (Jun 23)	\$57.0m
Current valuation (Dec 23)	\$55.3m
Cap rate (Dec 23)	5.63%
Valuer	Directors'

The property was subject to a Directors' valuation for the purposes of the 31 December 2023 audited financial report and the key metrics of this valuation are outlined in the table above.

Top tenants by net lettable area (NLA)

Minister for Transport and Infrastructure (Shared Services SA) Lease expires 18 May 2033	94%
Rubicon Associates Lease expires 31 Jul 2026	2%
Feros Care Lease expires 31 Aug 2025	2%

As at 1 February 2024, the property is 98.7% occupied with a Weighted Average Lease Expiry (WALE) by income of approximately 9.0 years.

Property statistics

	INITIAL ¹	JUN-23	DEC-23
Net asset backing	\$0.93	\$0.80	\$0.73
Property occupancy rate	100%	99%	99%
Weighted average lease expiry (WALE) (years)	11.1	9.6	9.0

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$31.4m	
Undrawn amount	\$0.4m ²	
Loan expiry	2-Dec-26	
% of debt hedged	74.1% ³	
Loan to value ratio (LVR)	54.4% ⁴	60.0%
Interest cover ratio (ICR)	3.41 ⁵	2.0

Under the Fund's five-year facility, the drawn debt has increased to \$31.02 million, which is 74.1% hedged at a fixed rate of 0.62% p.a. (in addition to the bank margin of 1.30% p.a.) until 16 December 2024, with the ability to draw an additional \$350,000 for future leasing related costs and base building capital expenditure. Furthermore, a two-year swap over approximately 50% of the forecast drawn debt (\$15.0m) at 2.63% p.a. has also been secured from 17 December 2024.

Under the terms of the debt facility, the Fund is required to comply with certain loan covenants over the course of the year. Based on the most recent audited accounts as at 31 December 2023, the Fund remains compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Valuation Ratio (LVR).

Centuria investor website

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

Note: The latest RG46 Statement for the Fund is available at 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. Based on the Product Disclosure Statement dated 25 October 2021.
2. As at 31 December 2023.
3. The Fund's drawn debt is 74.1% hedged at a rate of 0.62% p.a. until 16 December 2024.
4. The LVR is based on the most recent independent valuation as defined under the debt facility agreement.
5. The stated ICR figures are based on the most recent audited accounts as at 31 December 2023.

Disclaimer: Issued by Centuria Property Funds No.2 Limited, ABN 38 133 363 185, holder of AFSL 340 304. 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.