Lonsec

Recommended
Lonsec Research

ISSUE DATE: 26-06-2024

Product Review
Centuria Agriculture Fund

Fund financial position

Fund financial position	July 2024*
TOTAL ASSETS	$441M
PORTFOLIO	DIRECT PROPERTY 97%; CASH 3%
DEBT	$217M
GEARING (DEBT/ASSETS)	49.2% (COVENANT 60%)
INTEREST COVER RATIO	2.54X (COVENANT 2.0X)
UNIT PRICE	$0.9706

Portfolio summary

NO. OF PROPERTIES	5
PROPERTY TYPE	AGRICULTURE 100%
PROPERTY LOCATION	VIC 61%; NSW 17%; SA 22%
WTD AVG LEASE EXPIRY (WALE)	17.0 YRS
WTD AVG CAP'N RATE	6.72%
OCCUPANCY	100%

Other Fund details

APIR CODE	CNT3531AU
RESPONSIBLE ENTITY	CENTURIA PROPERTY FUNDS LTD
INVESTMENT MANAGER	CENTURIA FUNDS MANAGEMENT LTD
BENCHMARK	8% P.A. TOTAL RETURN
MINIMUM INVESTMENT	$10,000
DISTRBUTIONS PAID	MONTHLY
REDEMPTIONS	QUARTERLY (MAX. 2.5% OF NET ASSETS; $10% P.A. CAP); FULL LIQUIDITY 5 YRLY NEXT JUNE 2027).
RELATED PARTY HOLDING	NIL

Manager fees and expenses

ANNUAL FEES & COSTS	1.00% OF GROSS ASSET VALUE (GAV) FOR YEAR ENDED 30 JUNE 2023.
PERFORMANCE FEE	20% OF EXCESS ABOVE 8% P.A.
ACQUISITION FEE	2.0% OF ASSETS
DISPOSAL FEE	1.0% OF ASSETS
TRANSACTION COSTS	5.69% OF THE GROSS ASSET VALUE FOR THE YEAR ENDED 30 JUNE 2023. INCLUDES STAMP DUTY AND ESTABLISHMENT FEES.

Fund rating history

MAY 2023	RECOMMENDED

*Assuming settlement of Katunga Fresh asset takes place in July 2024

What this Rating means

The **'Recommended'** rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Strengths

- Well-credentialed investment team in the form of Head of Agriculture Andrew Tout and Fund Manager Kelvin McKeown, both of whom have deep experience in agribusiness and agricultural investments. The team also has access to Centuria's significant property and asset management platform.
- Stable income stream underpinned by long term triple-net leases to reputable agricultural operators. The portfolio has 100% occupancy and offers a WALE of 17.0 years which is the highest in Lonsec's unlisted property peer group.
- Protected cropping allows for year-round food production in a controlled environment, increased productivity, mitigation of key risks associated with farming, and greater energy, water and waste efficiency.
- High-quality asset portfolio diversified across strategic geographic locations, with potential for value-add through expansion of production capacity.
- Distribution yields are above the peer group average and benefit from 100% tax deferral.

Weaknesses

- The core investment team is small and poses an element of key person risk given their area of specialisation and the relative lack of agricultural investing experience amongst the broader team.
- Although the Fund assets are critical infrastructure for the Australian domestic supply of tomatoes, this provides the Fund with sector and tenant concentration risk.
- The highly specialised nature and regional location of the Fund's agricultural assets can limit the pool of alternative tenants, potentially leading to extended vacancy periods and the need for significant capital expenditure to modify assets for wider appeal.
- Relatively high gearing for an unlisted property fund (49.2%), although it is within the target gearing range of 45–55% and offers comfortable headroom to the bank covenant of 60%.

Centuria Agriculture Fund

Overall

- The Centuria Agriculture Fund has retained its '**Recommended**' rating following the latest review. Lonsec has conviction in the well-credentialed and deeply experienced agricultural investment team supported by Centuria's property platform. The assets are of a high-quality, diversified by location, and produce a stable income stream backed by long triple-net leases to reputable agricultural operators. Lonsec notes the Fund's focus on protected cropping supports high productivity, mitigation of key farming risks, and greater energy, water and waste efficiency.
- That said, the core investment team is small and poses an element of key person risk. Compared to more diversified offerings, the Fund has sector and tenant concentration risk given its sole focus on agricultural real estate. Finally, the highly specialised nature and regional location of the Fund's assets can limit the pool of alternative tenants.

Changes since previous Lonsec review

This is Lonsec's initial review of the Fund.

	PREVOUS REVIEW	THIS REVIEW*
ASSET VALUE $M	351	441 (▲)
UNIT PRICE $	0.9932	0.9706
NO. OF ASSETS*	3	5 (▲)
WALE (INCOME) – YRS	18.2	17.0 (▼)
OCCUPANCY %	100	100 (-)
CAPITALISATION RATE %	6.14	6.72 (▲)
DEBT $M	157	217 (▲)
GEARING %	46.3	49.2 (▲)
INTEREST COVER X	2.94	2.54 (▼)

**Expected settlement of Katunga 1 July 2024. CAF is seeking to raise $56m to help fund the investment.*

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure, and Warning on the final page.

- The Centuria Agriculture Fund ('CAF' or 'the Fund') is an open-ended unlisted property fund investing primarily in direct agricultural real property and may also invest in other Centuria agriculture-related unlisted property funds, ASX-listed A-REITs, and cash.
- The Fund's investment objective is to provide investors with a regular income stream and the potential for capital growth, by investing in a diversified agricultural property portfolio.
- The target asset and sector allocations are below:

Asset Class	Target Asset Allocation
AGRICULTURAL PPTY (DIRECT & INDIRECT)	90 – 100%
A-REITS	0 – 10%
CASH OR EQUIVALENTS	0 – 10%
TOTAL	100%

Property Portfolio	Target Sector Allocation
PRECISION FARMING	30 – 100%
AGRI-LOGISTICS	30 – 100%
PREMIUM NON-PERISHABLES	< 25%
ANIMAL FARMING	< 25%
DEVELOPMENT OPPORTUNITIES	< 30%
TOTAL	100%

- Investors should be aware that the Fund may experience periods of negative returns and that there is a risk of incurring capital loss.
- As such, Lonsec considers the Fund suitable for medium to high-risk profile investors with a five+ year investment time horizon. The Fund will generally sit within the growth component of a balanced portfolio.

Risk Assessment

Lonsec assesses the Fund's **key risk factors** in the overall context of both competing unlisted property funds and relative to other asset classes.

Level of assessed risk	Low	Med	High
OPERATIONAL EARNINGS			
BUSINESS		●	
LEASING			●
CAPITAL GAIN VS. INCOME		●	
DIVERSIFICATION			●
MARKET VOLATILITY		●	
FINANCIAL			
GEARING (LEVERAGE)			●
REFINANCING		●	
INTEREST COST / HEDGING		●	
CURRENCY	●		
COUNTERPARTY	●		
SUPPORT TO DISTRIBUTIONS		●	
MANAGEMENT & OTHERS			
EXPERIENCE	●		
RELATED PARTY TRANSACTIONS		●	
LIQUIDITY			●

- **Leasing risk** is deemed to be high given the Fund's assets are specialised and thus the pool of alternative tenants is fairly limited.
- **Capital gain vs. income risk** is deemed medium given that property funds have a higher element of capital risk than some other asset classes (e.g. cash or bonds).
- **Diversification risk** is deemed high on the basis that the Fund will hold investments concentrated in a single property sector, agriculture.
- **Gearing (Leverage)** risk is judged high relative to other investment classes (including 100%-listed property trusts), where there is lower or no gearing involved (including some wholesale property funds).
- **Refinancing risk** is deemed medium. Although Centuria has a good record of being able to refinance

Centuria Agriculture Fund

its debt facilities, there is an inherent risk that property funds in some circumstances may not be able to obtain debt finance, and this risk is elevated for agricultural real estate relative to other core property sectors.

- **Interest Costs / Hedging risk** is judged medium as only a portion of the drawn debt will be hedged.
- **Management experience** is assessed to be low risk due to the Fund investment team's experience in establishing and managing agricultural property syndicates, plus the significant operational support from the wider Centuria business.
- **Related Party Transactions** risk is deemed medium the Fund can invest into other Centuria agriculture-related funds, and purchase from related parties. The RE will also utilize Centuria's internal resources. That said, the Manager has clearly defined protocols for managing conflicts of interest, and any such transactions must be approved by the separate Compliance Committee and the Compliance Officer.
- **Liquidity risk** is deemed high due to the Fund's significant exposure to illiquid assets (real property) and given the quarterly withdrawal facility is at the discretion of the RE**.** The provision of a full liquidity event every five years may still be subject to the same potential restricted liquidity of unlisted assets at that time.
- Overall, Lonsec considers the risk assessment for CAF to be '**Medium'** due to the highly specialised nature of the assets, together with property sector and tenant operator concentration.

Product

Structure

CAF is an open-ended unlisted property fund with daily unit pricing consisting of two stapled registered managed investment schemes, CAF I and CAF II. All assets of the Fund are held by CAF I and CAF II or by their respective controlled entities.

Liquidity

The Fund maintains liquidity to fund distributions, Fund expenses, acquisitions and developments.

Distributions

- Monthly distributions are paid by the 10th calendar day of the following month.
- The Manager offers a Distribution Reinvestment Plan (DRP), which gives investors the opportunity to reinvest part or all of their distribution for additional newly created units in the Fund.
- Distribution payments may contain some proportion of tax advantaged income, diminishing over the life of the Trust (expected to be 100% tax deferred over next 12 months). This is due to the capital allowances available for expenditure on structures; plant and equipment; and the writing-off (over time) of borrowing costs. The distribution will be increased from 5.50 cpu to 6.00 cpu following the settlement of the Katunga glasshouse.
- The Manager supports a sustainable distribution policy whereby distributions are sourced from the Trust's cash from operations and net realised capital gains. However, the Manager can pay distributions from other sources if considered to be in the interests of investors and where payment from that source is expected to be sustainable given the circumstances.

Withdrawals

- Quarterly withdrawal offers of up to 2.5% of the Net Asset Value (NAV), capped at 10% p.a. If this amount is exceeded, withdrawals may be met on a pro-rata basis.
- While the Fund is liquid, investors may only withdraw in response to a withdrawal offer made by the Responsible Entity ('RE'). As the Manager provides limited liquidity mechanisms, investors should take a medium to long-term view of their investment (at least five years).
- Withdrawal requests (min. $10,000) are paid within 21 days of the quarter end. However, Lonsec notes that under the Fund's Constitution, the RE is allowed up to 365 days to accept a withdrawal request.
- Where the Manager is required to sell the Fund's property assets, it may take investors 12 months or longer to receive their withdrawal proceeds. If the Manager believes that they cannot sell the Fund's property assets within 365 days to meet withdrawal requests, the Fund will become illiquid and withdrawals will be suspended. If this occurs, investors can only withdraw when a withdrawal offer is made available in accordance with the Fund's Constitution and the law.
- The Fund offers a full Liquidity Event for all unitholders every five years, with the first scheduled in June 2027.

Capital Management

Equity

- The Fund is only actively marketed when new equity is required for acquisitions. As a result, the Fund is not expected to experience constant high net inflows and the associated pressure to deploy capital that some other unlisted property funds can experience.
- Agricultural property is a very specialised sector with a lower supply of quality assets (compared to core sectors such as office and retail). As such, the Manager prefers to foster relationships with agricultural operators with a view to obtaining assets that meet its investment criteria, and thus reduce the risk of overpaying for assets on the open market. This approach requires extended timelines, and the gated approach to capital raises allows the investment team the time to find and acquire suitable assets.
- CAF engages in a fairly low level of income support of distributions, which differentiates it from some of its open-end peer group. Lonsec believes this to be a by-product of the Fund's ability to temporarily close, as this protects against distribution dilution.

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Debt

- The Fund may borrow to acquire direct property assets, acquire operational assets, and fund developments or withdrawals. The Fund may also invest in unlisted funds that are already geared.
- Lonsec notes that while the Fund has a target look-through gearing range of 45-55%, Centuria targets 47.5%. With other Lonsec-rated Centuria funds, when gearing does increase, usually due to property acquisitions and fund developments, Lonsec has observed that the Manager will raise capital to reduce gearing. Further, the Fund maintains a reasonable level of interest cover, which is above loan covenants.
- The Fund has a reasonably diversified panel of lenders including Australian and International banks. Centuria has demonstrated the ability to negotiate attractive terms on debt financing.

Valuation Policy

- The RE follows a detailed valuation policy setting out clear procedures and responsibilities.
- Valuers:
  - Must be external, qualified and licensed to operate in the jurisdiction that properties are located.
  - Must be rotated so that a property is not externally valued by the same valuation firm more than three times consecutively.
- Frequency:
  - New properties must be externally valued prior to purchase.
  - Existing properties must be externally valued at least once every 24 months, or as required under the Fund's loan facilities. Lonsec notes that in practice, Centuria usually conducts annual external valuations for its property funds.
  - Valuations may occur more frequently than annually if it is believed there has been a material change in a property's value (+/- 5%). In such cases, an external valuation will be sourced using a prescribed standard valuation brief.
- Lonsec believes the valuation policy to be in accordance with most peer funds covered by Lonsec and strikes a reasonable balance between the costs incurred for valuation services and maintaining a portfolio which is reflective of fair value.

Fee Structure

- **Acquisition fee** of 2.0% of the total acquisition price of any property asset in which the Fund acquires a direct or indirect.
- **Disposal** fee of 1.0% of the sale price of any property in which the Fund has a direct or indirect interest in.
- **Annual management cost** comprises management fee of 0.60% p.a. of the Fund's gross asset value (paid monthly in arrears).
- **Expenses** 0.07% of GAV for year ended 30 June 2023. Expenses (excluding Abnormal Expenses) are capped at 0.35% p.a. of the Fund's GAV and includes compliance costs, audit, accounting, and legal fees. Abnormal expenses 0.33% of GAV for year ended 30 June 2023.
- **Performance Fee**: The RE/Manager is entitled to a 20% share of excess total return above the Benchmark Total Return of 8% p.a. (pre-tax, net of fees). This is at the lower end of the range for the peer group (8-9% p.a. hurdle). The Performance Fee is charged on a high-watermark basis, with any prior underperformance having to be recovered prior to an amount being paid. It is calculated and paid quarterly.
- Lonsec notes the Fund's total fee load is higher than average for open-end funds, primarily due to the lower funds under management and significant net transaction costs, the latter which will vary considerably depending on the amount of property being acquired in the latest year of the calculation. It includes property-related costs such as stamp duty which can vary from state to state within Australia.

Portfolio

- CAF's mandate is to acquire and grow a diversified Australian portfolio of investment grade agricultural and agri-logistics real estate assets. The Fund may also invest in other Centuria agriculture-related funds, as well as operational assets associated with agricultural property.
- To assist with liquidity, the Manager may also hold ASX-listed A-REITs, cash and cash equivalents.
- The Manager aims to provide diversification over time by investing across the property, geographic location, agricultural subsector and tenant mix.
- The Fund will initially concentrate on higher revenue producing sectors under protected cropping (glasshouses), namely fruit and nuts, and has an identifiable plan to expand into vineyards, water, and agri-logistics facilities.
- Lonsec notes ESG considerations are embedded into the Fund's investment philosophy, with a clear focus on creating a portfolio that has sustainable long-term value and resilience across:
  - Environment (energy, water and waste efficiency)
  - Social (tenant operator employment of local communities)
  - Governance (OH&S, human rights)

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Acquisitions

PROPERTY	OWNERSHIP (%)	PURCHASE ($M)
WARRAGUL 264 COPELANDS RD, WARRAGUL VIC	100%	177
SUNDROP 709 PORT AUGUSTA HIGHWAY, PORT AUGUSTA SA	100%	70
COSTA GUYRA 160 ELM ST, GUYRA NSW	100%	76
COMFRESH 234 CARMELO RD, RIVERLEA PARK, SA	100%	27.25
KATUNGA FRESH GLASSHOUSE, VIC*	100%	90

**Expected settlement 1 July 2024. CAF is seeking to raise $56m to help fund the investment.*

Property Profile

- The following features recent property purchases and are examples of the assets the Fund is investing in.

Warragul

- Purchased in November 2021. Comprises of glasshouses (33.5ha) and substrate farming operations (5ha) namely packing and distribution.
- Grows high revenue crops including tomatoes, capsicums, cucumbers, eggplants and blueberries.
- Rainfall harvesting system allows capture of up to 80-90% of total water requirements.
- 100% leased to Flavorite on a 20-year triple-net lease with fixed annual CPI increases (3% p.a.).

Port Augusta

- Purchased in December 2022 for $70m. Comprises four glasshouses (20ha), and 10,307sqm of packing and distribution sheds.
- Grows truss tomatoes with production capacity of 17,000 tonnes p.a.
- Fully integrated facility utilising concentrated solar energy system (12.5ha) and on-site desalination plant (1ML capacity) to provide all energy and water requirements.
- 100% leased to Sundrop Farms on a 20-year triple-net lease with annual CPI+1% increases.

Guyra

- Purchased in February 2023. Comprises of glasshouses (20ha), nursery (one acre), 65ML dam and substrate farming operations.
- Grows premium tomatoes across the snacking, speciality, cocktail and large truss segments. Production capacity of over 14,000 tonnes p.a.
- 100% leased to Costa group on a 20-year triple-net lease with annual CPI increases (capped at 4%).

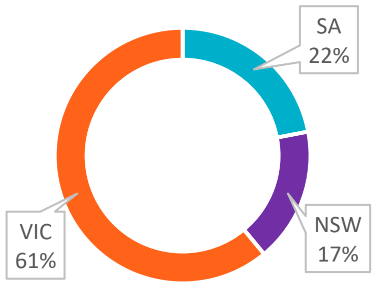
Riverlea Park

- Purchased in 2023, comprises 59 ha site with 12 ha of protected cropping – 6 ha of glasshouses and 6 ha of double skinned plastic greenhouses.
- Grows tomatoes, cucumbers, eggplants and capsicums.
- 100% leased to Comfresh on a 10-year triple-net lease with fixed 2.50% p.a. rents reviews.

Katunga

- Expected settlement 1 July 2024. 21 ha of glasshouses, energy infrastructure and packing, distribution and sheds.
- Grows high revenue premium tomatoes across snacking, speciality, cocktail and large truss segments.
- 100% leased to Katunga Fresh on a 20-year triple-net lease with rent reviews 3.00% fixed starting in year 5.

Geographic allocation (by value)



Tenants / Leases

Lease Expiry Comparison

- The Fund has a weighted average lease expiry (WALE) of 17.0 years, which significantly above the average of 8.5 years.
- The lease profile is good with built-in annual rental growth in line with CPI or a fixed rate (2-4% p.a.). As the Manager grows the portfolio, this will underpin a steadily growing income stream, with a provision for market reviews generally upon lease expiry (or earlier where applicable).
- There are no tenant lease expiries over the next 10 years, given the Fund's assets have WALEs of 15-20 years at the time of this review.
- Given the highly specialised nature and regional location of the Fund's assets, it is anticipated that tenant agricultural operators will either re-sign, or the Manager will be able to source replacement tenants well in advance of notified tenant vacancies.

Tenant Profile

- CAF does not currently take on operational risk, but instead focuses on acquiring assets leased to quality, reputable operators on attractive lease terms.
- Lonsec notes the Manager targets 'triple net' lease terms wherever possible, meaning the tenant is responsible for all outgoings and capital expenditure related to the relevant property. This is supportive of a higher income distribution to investors.

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- Lonsec also notes the in-depth commercial and financial due diligence Centuria undertakes on both prospective tenants and underlying assets. This includes the use of specialist agri-consultants.
- That said, Lonsec highlights the Fund's current tenant concentration risk. The pool of alternative tenants for protected cropping glasshouses is fairly limited. In the event of a tenant default, obtaining a replacement operator may take some time to source and fully implement. Centuria has the ability to step in and manage assets in such a scenario, however it would seek to avoid doing so unless absolutely necessary.

TOP TENANTS	PORTFOLIO INCOME
FLAVORITE	34.5%
COSTA GROUP	17.6%
SUNDROP FARMS	15.7%
COMFRESH	7.3%
KATUNGA FRESH	24.8%
TOTAL	100%

Flavorite grows, markets, distributes and supplies premium fresh produce both nationally and internationally. Employing 500+ staff, Flavorite's key customers include Coles, Woolworths, Aldi, Costco and Harris Farms.

Sundrop Farms is an Australian sustainable horticultural player focused on producing high value tomatoes using renewable inputs. Employing 80 full time staff, Sundrop has plans to expand operations in Port Augusta and on a secondary site. Its key customer is Coles, with which it has a 10 year take or pay contract. Notably, Sundrop grows ~14% of Australia's truss tomatoes and supplies ~90% of Coles' national truss tomatoes.

Costa Group is Australia's largest grower, packer and marketer of fresh fruit and vegetables. Key customers include Coles, Woolworths, Aldi, Costco and Harris Farms. Costa has farms in 30 regional locations across Australia.

Comfresh is headquartered in Edinburgh, South Australia one of Australia's leading growers and suppliers of fresh fruit and vegetables to Australian supermarkets. Comfresh supplies tomatoes, capsicums, herbs and brassica to Woolworths, Coles, Aldi, Costco, Hello Fresh and independent wholesalers nationally.

Katunga Fresh was established by Peter Van Den Goor in 2004 and has become one of Australia's largest glasshouse operators. Katunga Fresh has access to a number of key retailers via Perfection Fresh (Coles, Woolworths, Costco, Aldo and Harris Farms), which eliminates the need for marketing staff.

Debt position

Debt Facility

FACILITIES – LIMIT	$241.2M
DRAWN DOWN	$217.20M
COST OF DEBT (AVG)	5.25%
WTG AVG FACILITY MATURITY	2.9 YRS
% DEBT HEDGED (AVG)	64%
WTD AVG HEDGE TERM	3.3 YRS
LVR	48.9%
LVR COVENANT	60%
ICR (YR 1)	2.54X
ICR COVENANT	2.00X

Note: Assumes

- The Manager has combined debt facilities across two banks (one Australian and one foreign) across a total of three tranches.
- The Fund has entered into a swap to fix the interest rate of 71% of its debt exposure until June 2025 and June 2026.
- While the interest cover ratio of 2.54x is above the ICR covenant of 2.0x, Lonsec would prefer a larger buffer given the current rising interest rate environment.

Gearing peer comparison

- CAF's loan-to-value ratio ('LVR') is 49.2%, above the peer group average, it offers comfortable headroom to the bank covenant of 60% and is within the Fund's target gearing of 47.5%.
- Gearing may be temporarily higher at times to settle property acquisitions and fund developments. Subsequent equity capital raised can be used to reduce gearing in line with the target.

Management

Responsible Entity

- Centuria Property Funds Ltd (CPFL) is the RE for the Fund and is a wholly-owned subsidiary of Centuria Capital Ltd (Centuria).
- Centuria Capital Group was established in 1999 and is an ASX listed company (code: CNI) with a current market capitalisation of $1.5b. As at 31 December 2023, the Group manages $21.1b of assets ($20.3b of real estate assets and $0.8b of investment bonds).
- Centuria's property funds under management consists of $14.1b unlisted property funds as well as $6.2b in listed property trusts (ASX: Centuria Office REIT; Centuria Industrial Fund; NZSX: Asset Plus Ltd). The group has expanded its unlisted fund offering into the Healthcare and Agriculture sectors.
- Centuria operates a 'vertically integrated property business', across both property funds management and property services. The group employs 400+ staff and manage asset acquisition/disposal, leasing and tenant relationships in-house.
- CPFL has appointed Centuria Funds Management Ltd as the Investment Manager ('the Manager'), which is also a wholly owned subsidiary of Centuria

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Capital Ltd and part of the Centuria Capital Group. The role of the Investment Manager is to procure investment opportunities and manage the Fund's investments on a day-to-day basis.

- Lonsec notes the Responsible Entity and the Investment Manager share the same senior executives, administration and staff. While this is common within the direct property funds sector, Lonsec believes an external third-party as RE would be best practice.

Management Team

Board of Directors – Centuria Property Funds Ltd

NAME	POSITION	JOINED	EXP.[1] (YRS)
MATTHEW HARDY	EXTERNAL NON-EXEC. CHAIRMAN	2013	30+
PETER DONE	EXTERNAL NON-EXEC. DIRECTOR	2007	35+
DARREN COLLINS	EXTERNAL NON-EXEC. DIRECTOR	2015	20+
ELIZABETH MCDONALD	EXTERNAL NON-EXEC. DIRECTOR	2020	15+

1: Experience in legal, finance and property industries.

- The RE Board is currently comprised of external directors.
- Other Senior Executives closely involved in the management of the Fund include:

NAME	POSITION	JOINED CENTURIA	EXP.[1] (YRS)
JOHN MCBAIN	JOINT GROUP CEO	1999	30+
JASON HULJICH	JOINT GROUP CEO	1999	20+
STUART WILSON	CO-HEAD – UNLISTED FUNDS	2010	20+
ANDREW TOUT	HEAD OF AGRICULTURE	2022	25+
JESSE CURTIS	HEAD OF FUNDS MANAGEMENT	2019	15+
BEN HARROP	HEAD OF DISTRIBUTION	2018	25+

1: Experience in property and/or investment industry

Investment Team

- The Fund is managed by a dedicated team of two experienced agricultural investors with support from Centuria's broader asset origination, operations, leasing, and asset management teams.
- Head of Agriculture, Andrew Tout, joined Centuria in 2022 as part of the PrimeWest acquisition. Tout is a sixth-generation agriculturalist with over 25 years' experience in various practical, management and advisory roles across the Agribusiness sector. He has previously held senior positions with Westpac, ANZ, Commonwealth Bank, GrainCorp, Elders, Raine & Horne and regional agricultural specialist companies such as Cargill, Tandou and Pentag. Tout studied horticulture at the University of Western Sydney, is a licensed Stock and Station Agent, and holds a rural valuation certificate.
- Kelvin McKeown, who is the designated Fund Manager, is responsible for the operations, performance and overall strategy of the assets. Raised on a multi-generational family sheep farm in New Zealand, McKeown joined Centuria in 2022 from Macquarie Group where he managed unlisted retail agriculture funds that owned and operated large-scale horticulture, viticulture and forestry assets. McKeown holds degrees in Commerce and Business Finance from the University of Otago.

CPFL Audit Risk and Compliance Committee

NAME	POSITION
DARREN COLLINS	CHAIRMAN AND NON-EXEC. DIRECTOR
PETER DONE	NON-EXEC. DIRECTOR
ELIZABETH MCDONALD	NON-EXEC. DIRECTOR

- CPFL has an established Audit, Risk Management and Compliance Committee consisting of the three non-executive directors from the CPFL Board. The role of the committee is to oversee how conflicts of interest /potential conflicts of interest and related party issues are managed.
- Troy Dafter is the Chief Risk Officer and is responsible for maintaining the compliance policies within Centuria. Any changes made to these policies need to be reviewed and signed off by the Board.
- Centuria's Fund Managers are assigned responsibilities as 'risk gate-keepers' and are responsible for identifying any actual or potential conflicts of interest that arise from day-to-day operations. This is part of the Fund Manager's key performance indicators.

Investment Process

Investment Style

- Centuria's investment philosophy is founded on an active management approach to real estate where relationships are key and value can be added at all stages of the investment process. Centuria has a particular strength in identifying assets that require intensive asset management to maximise returns and has an inhouse team to deliver the requisite range of value-add services.
- Centuria has historically focused on 'Core Plus' and 'Value Add' investment opportunities in the office sector. However, in more recent times they have expanded into 'alternative' property sub-sectors like healthcare and agriculture. They view their competitive advantage as being able to add value via their active management approach, including:
  - proactive leasing campaigns.
  - upgrading of building services and reducing occupancy costs.
  - refurbishment and redevelopment projects.
  - re-zoning and development application strategies.
- Centuria has a heritage of establishing and managing single asset property funds and has historically acquired assets with either short WALEs, poor lease profiles or properties in need of re-leasing, re-positioning or re-development during the investment term. Lonsec notes the scope of CAF is different, in

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that it is an open-end fund focused on developing a portfolio of quality agricultural assets on long leases to high-quality agricultural and agri-logistics operators.

- This extends to disposing of properties in the event that an attractive offer is presented before the end of the initially proposed investment term (subject to unitholder approval).

On-going Property Management

- Centuria generally does not outsource its property management to real estate agents, however may do so in remote locations or for special purpose assets.
- Given the specialised nature of CAF's assets and the triple-net lease structure in place with tenants, day-to-day asset management and maintenance tasks are managed by tenants.
- Where required, Centuria's in-house management team can liaise closely with the on-site facility manager to ensure efficiencies are being realised.

Potential Conflict of Interest / Related Party Issues

- The RE may from time-to-time engage related parties to provide property services to the Fund.
- However, the Manager has a clearly defined Conflicts of Interest Policy and guidelines for related-party transactions. This policy is wide-ranging and includes guidelines specifically relating to identifying, disclosing and resolving such issues as highlighted above. Potential conflicts of interest are reviewed by senior management.
- The Manager also has an 'Acquisition and Deal Allocation Procedures' policy designed to ensure that any interactions and services received between related parties are consistent with 'industry best practice'.

Performance

- Given the Fund's recent inception in July 2022, there is a very short track record from which to make a meaningful performance assessment.
- That said, Lonsec highlights that Centuria has a strong track record in managing domestic unlisted property trusts, having been a manager and operator of funds since 1999.
- The Fund recorded a total return of 4.06% in the 12 months to 31 December 2023 and 3.99% since inception. The modest negative capital growth is due to the acquisition costs being amortised over 5 years which reduces the unit price. The valuations for all assets have held firm with capitalisation rates softening slightly.

Returns % p.a.	6 MONTHS	12 MONTHS	Since Incep.[1] %p.a.
INCOME	2.76	5.47	5.34
CAPITAL GROWTH	-2.69	-1.41	-1.35
TOTAL RETURN CAF	0.07	4.06	3.99

1: Inception July 2022.

Lonsec

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Centuria Agriculture Fund

About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately-owned entity with a multi-brand strategy of providing leading financial services research and investment execution.
Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

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Analyst

Michael Elsworth

Approved by

Peter Green