Centuria

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Quarterly fund update
June 2024

Centuria Diversified Property Fund (Fund)

(ARSN 611 510 699 & ARSN 645 597 404) (APIR – CNT9370AU)

June 2024 quarter performance highlights

- June 2024 distributions declared at an annualised rate of 5.10 cpu, reflecting a yield of 6.06% on the 1 June 2024 unit price.
- June 2024 valuation cycle completed – direct portfolio shows minor valuation reduction of $0.9m (-0.4%), resulting in a unit price decrease of 0.54 cents per unit.
- Proactive liquidity strategy executed – divestment programme for maximised assets – two office assets unconditionally exchanged.
- Strong occupancy of 90.1% and WALE of 5.71 years as at 30 June 2024 (excluding assets that have exchanged but not yet settled).

Key portfolio metrics[1] as at 30 June 2024

Portfolio assets	12
Carrying value	$159,095,810
Weighted capitalisation rate[2]	6.68%
Net lettable area (SQM)[3]	44,182
Number of tenants	56
WALE (years)[4]	5.71
Weighted occupancy[4]	90.61%
Weighted NABERS rating[5]	5.2 stars

Update on property sales and debt hedge expiry

To accommodate approaching liquidity needs of the Fund, Management has recently completed proactive sales programmes for two office assets held by the Fund – being 10 Moore Street, Canberra ACT and 8 Market Lane, Maroochydore Qld.

We are pleased to confirm both properties have been successfully sold in line with the most recent independent valuations. We believe this is a good result given the prevailing commercial property market conditions.

The sale proceeds will be deployed to reduce the Fund's gearing to a conservative level of approximately 28% (post settlement). From a property portfolio perspective, a sale of these assets will not be detrimental to the remaining investment portfolio, in fact the portfolio/investment attractiveness is likely to improve as a result of:

- reduced Fund gearing,
- improved residual weighting to industrial and social infrastructure sectors,
- a reduced weighting to Queensland (Maroochydore asset),
- a reduced portfolio average building age (Canberra asset), and
- an improvement in the residual portfolio WALE,

Approximately 96% of the Fund's drawn debt was hedged at a blended rate of 1.88% p.a. until the end of June 2024 (in addition to the blended bank margin). The existing hedge profile assisted in mitigating interest rate volatility during FY24. With the expiry of hedges recently occurring in June 2024, the Fund's cost of will increase in line with prevailing market interest rates (currently ~4.45%). The successful sale programmes have reduced the Fund's gearing and exposure to elevated interest rate environment. **These changes to the funds income profile will reduce future distributions.**

1. Updated on a quarterly basis and for significant portfolio changes. Excludes assets exchanged but not yet settled (10 Moore Street, Canberra and Foundation Place, Maroochydore).
2. Weighted by fund allocation.
3. Direct property portfolio only.
4. Weighted by gross income.
5. The NABERs energy rating is for the Fund's office assets only. The Fund's industrial and social infrastructure assets are not subject to rating.

The Fund is now in a stronger position to facilitate the approaching liquidity event in December 2025, and also has the capacity to look for new accretive investment opportunities to improve Fund performance.

The Fund is considering various strategies to protect and improve future distributions. These include:
- entering into further hedge arrangements to reduce the cost of debt to the Fund, which may result in a cost to the Fund;
- seek new investment opportunities to add to the Fund's portfolio and drive performance;
- a potential sale of the Mulgrave asset, with a sales campaign scheduled to commence in the coming month; and
- should the Mulgrave asset be held, increasing occupancy to generate additional income.

Should these outcomes be achieved, the Fund should be in a better position to review distributions throughout FY25.

June 2024 direct property valuations and valuation policy

The Fund continues to complete quarterly property valuations for the direct properties to ensure the market value of these investments are accurately reflected in the unit price. The Fund's direct property assets were most recently valued as at 30 June 2024.

As previously communicated to Investors, the commercial real estate market is continuing to be negatively impacted by the significant increase in the cost of debt, which has resulted in reductions to distributable income and lower property valuations across a number of sectors.

To illustrate, as at March 2024, the Property Council of Australia/MSCI Australia Unlisted Retail Fund Index recorded a 12-month total return of -13.2%. For reference, this data includes the performance of funds holding approximately $11.4 billion of assets.

Centuria's portfolio has not been immune to the influence of these factors, however we are pleased to advise that the majority of the underlying real estate continues to perform.

The 30 June 2024 property valuations of the Fund's direct portfolio resulted in a decrease of $0.9m (-0.4%). Valuation movement by portfolio sector is as follows: office (-0.3%), industrial (-0.1%), social infrastructure (-3.7%). Increasing interest rates have placed upward pressure on valuation capitalisation rates, broadly affecting most asset classes, resulting in minor softening of values across the portfolio.

The Manager maintains and complies with a written valuation policy for the valuation of property assets held by its property funds. Under the valuation policy, direct properties of the Fund will be independently valued at least once every 24 months. To ensure unit pricing is reflective of prevailing market conditions, the Fund has been exceeding this frequency and conducting **valuations quarterly** for the past couple of years. This means that each property is currently valued independently twice a year which gives Investors confidence that the valuations are up to date.

Top 10 tenants as at 30 June 2024[1]

	TENANT	% INVESTMENT WEIGHTED INCOME	PROPERTY
1	Entain	24.71%	25 Montpelier Road, Bowen Hills
2	Apex Steel	18.59%	36 Caribou Drive, Direk
3	Transport Accident Commission	9.41%	60 Brougham Street, Geelong
4	Cleanaway	8.29%	171 Camboon Road, Malaga
5	Busy Bees Childcare	5.79%	26 Westbrook Parade, Ellenbrook & 40 John Rice Avenue, Elizabeth Vale
6	St Vincent's Care Services	4.48%	25 Montpelier Road, Bowen Hills
7	Carter Grange Home	3.90%	13 - 15 Compark Circuit, Mulgrave
8	Healthia	3.66%	25 Montpelier Road, Bowen Hills
9	Energex	2.64%	Sandgate Road, Nundah
10	Reece Australia	1.98%	25 Montpelier Road, Bowen Hills

Distribution rate and fund performance[2,3]

Distributions for the June 2024 quarter were paid at 5.10 cents per unit (annualised), reflecting a yield of 6.06% on the 1 June 2024 Unit Price. The underlying property portfolio continues to perform well, with a 90.61% occupancy rate and a weighted average lease expiry of 5.71 years as at 30 June 2024, following the sale of assets that have unconditionally exchanged.

Further details of the underlying valuations and fund weightings can be found in the Investment portfolio table on Page 6.

	6 MTH (%)	1 YR (% P.A)	3 YR (% P.A)	5 YR (% P.A)	INCEPTION (% P.A.)[4]
Distribution	2.94	5.54	5.06	4.75	4.44
Capital	-10.64	-20.88	-8.01	-4.95	2.03
Total return	-7.70	-15.34	-2.95	-0.20	6.47

1. Excludes assets exchanged but not yet settled (10 Moore Street, Canberra and Foundation Place, Maroochydore).
2. Annualised total return figures reflect compounded monthly returns generated from both capital and income (including reinvestment). Annualised income returns are presented as the sum of the monthly income returns. The returns presented are reflective of any performance fees paid. Returns of less than 1 year are not annualised. Past performance is not a reliable indicator of future performance.
3. Data is as at 30 June 2024. The implementation of the Stapled Fund occurred on 27 May 2022. The performance shown here illustrates the performance of CDPF (standalone) prior to implementation, and the performance of the Stapled Fund (CDPF and CDPF No. 2 consolidated) following implementation. Past performance is not a reliable indicator of future performance.
4. Inception date of CDPF, prior to merger, is 24 June 2016. The implementation of the stapling of CDPF and CDPF No.2 occurred on 27 May 2022.

Portfolio performance

The long-term performance in the Fund has been strong, with a total return since inception of 6.47%. Despite challenging market conditions, the Fund has continued to meet its objective of providing Investors regular monthly income underpinned by 90.61% occupancy, a WALE of 5.71 years, and average annual rental increases of 3.08%.

Centuria management is working closely with our leasing team and tenants to maximise performance through this property cycle and we look forward to updating you at the next webinar or via the CDPF website.

Fund liquidity facility

The Fund holds an investment property portfolio predominantly consisting of direct real property and a smaller holding in liquid assets. The liquid assets provide liquidity to the Fund and are utilised to offer Investors a limited quarterly withdrawal facility capped at up to 2.50% of NAV per quarter.

In addition to the limited quarterly withdrawal facility, the Fund has a rolling five-year investment term, with a liquidity event at the end of each term – next due in December 2025. This is in line with the recommended investment timeframe outlined in the Fund's Target Market Determination.

Investors should note that the quarterly liquidity facility is a limited facility. The Fund has scaled redemption requests for the last three quarters. Any unmet portion of each request is carried over to the following quarter, as a new request, unless the Investor requests otherwise.

Centuria co-investment

The recommended investment timeframe for the Fund is five years, and we maintain confidence in the long-term view for commercial property. Centuria is highly aligned with Investors in the Fund, being one of the Fund's largest unitholders, with approximately 32% of the units on issue held by related party entities. As we go through this property cycle, Centuria is strongly aligned as a co-investor alongside you, our Investors.

Fund gearing, hedging, and covenant sensitivities

The Fund's direct LVR currently is forecast to reduce to approximately 28% following the settlement of 10 Moore Street Canberra and 8 Market Lane, Maroochydore Qld providing significant headroom to the conservative LVR covenant of 60%. During FY24, the Fund's debt profile was ~96% hedged to mitigate interest rate volatility and provide cashflow surety.

Approximately 96% of the Fund's drawn debt was hedged at a blended rate of 1.88% p.a. until the end of June 2024 (in addition to the blended bank margin). Approximately 66% of the Fund's hedged debt has recently expired, and as a result the Fund's 'all-in' cost of debt will increase as it reverts to prevailing market interest rates. As noted earlier, management may enter into additional hedging arrangements in the coming months to mitigate future interest rate volatility.

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 draft unaudited management accounts as at 30 June 2024, the Fund is forecast to remain compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Valuation Ratio (LVR). The 30 June 2024 financial accounts are currently being prepared and confirmation will be provided in the next Fund Update.

The Fund also continues to conduct stress testing of financial covenants and we are pleased to confirm robust headroom within our debt facility. For example, the value of the properties (based on the 30 June 2024 valuations) would have to fall by 22.1% for the Fund to breach its LVR covenant. Similarly, the income of the Fund would have to fall by 70% for the Fund to have breached its ICR covenant over the past 6 months (30 June 2024). The next Fund Update will note stress testing sensitives upon the finalisation of the 30 June 2024 financial accounts. Following the divestment of 10 Moore Street and Foundation Place, the Fund's LVR is expected to reduce to approximately 28%, meaning the portfolio would need to reduce by 53% in order to breach it's LVR covenant.

Debt summary as at 30 June 2024

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	116m[1]	
Undrawn amount	24.1m[1]	
Loan expiries	$1m, 15 Dec 2024 $30m, 15 Dec 2024 $30m, 15 Dec 2025 $30m, 15 Dec 2026 $25m, 15 Dec 2027	
% of debt hedged	95.7%[2]	
Loan to value ratio (LVR)	46.7%[3]	60.00%
Interest cover ratio (ICR)	3.33[4]	1.75

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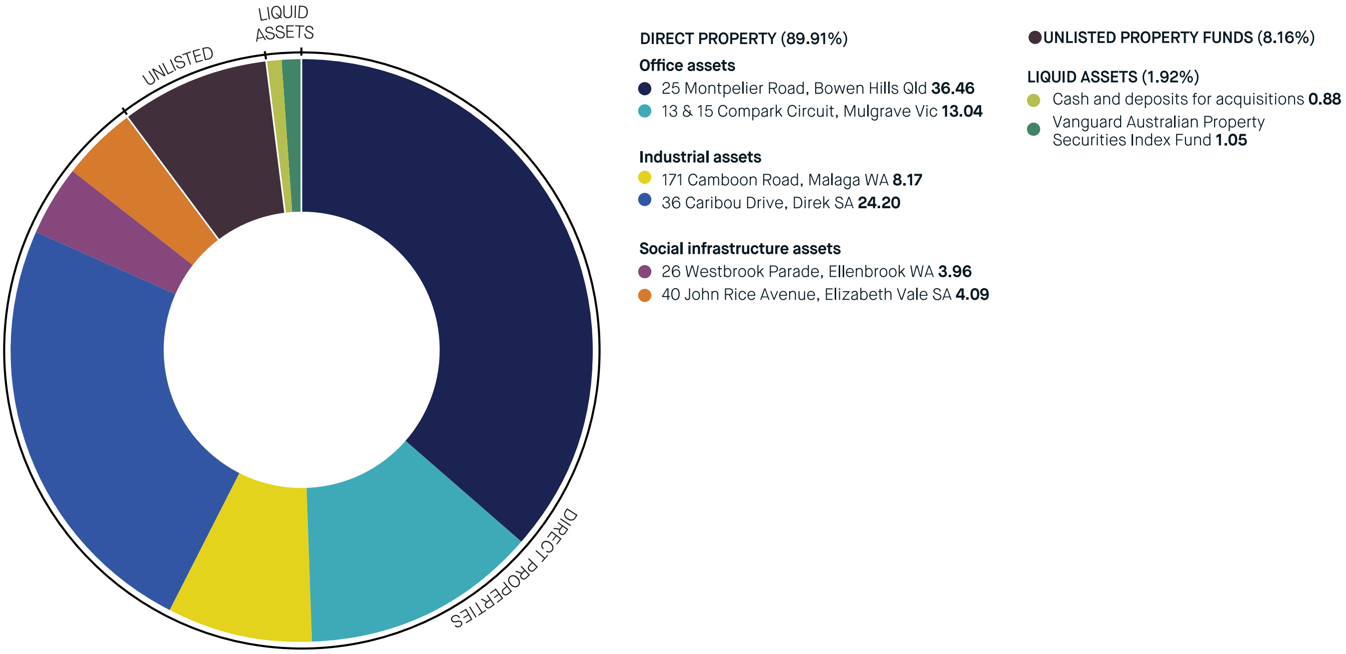
1. As at 30 June 2024.
2. As at 30 June 2024, the Fund's drawn debt is mostly hedged with a weighted average swap maturity of 0.25 years.
3. CDPF continues to value the entire direct portfolio on a quarterly basis and the LVR is as at 30 June 2024, based on the most recently completed valuations. Following the settlement of 10 Moore Street and Foundation Place, the Fund's LVR is expected to reduce to ~28%
4. The ICR is as at 30 June 2024, based on unaudited financial accounts.

Asset allocation as at 30 June 2024[1]



Investment portfolio as at 30 June 2024[1]

	FUND WEIGHTING (%)	VALUATION ($M)	PROPERTY VALUATION CAP RATE (%)	OCCUPANCY (%)	WALE (BY INCOME)
Direct properties					
Office assets					
25 Montpelier Road, Bowen Hills QLD	36.46	58.0	7.25	100	3.44
13 & 15 Compark Circuit, Mulgrave VIC	13.04	20.8	7.50	38.3	1.03
Industrial assets					
171 Camboon Road, Malalga WA	8.17	13.0	6.25	100	1.33
36 Caribou Drive, Direk SA	24.20	38.5	5.75	100	13.58
Social infrastructure assets					
26 Westbrook Parade, Ellenbrook WA	3.96	6.3	6.00	100	16.67
40 John Rice Avenue, Elizabeth Vale SA	4.09	6.5	5.75	100	16.75
Total direct properties	**89.91**	**143.1**	**6.67**	**89.1**	**6.00**
Holdings in Centuria Unlisted Funds					
Multiple Holdings	8.16	13.0	6.86	98.4	4.20
Total Centuria unlisted funds	**8.16**	**13.0**	**6.86**	**98.4**	**4.20**
Liquid assets					
Vanguard Australian Property Securities Index Fund	1.05	1.7			
Cash and deposits for acquisitions	0.88	1.4			
Total liquid assets	**1.92**	**3.1**			
Total investment portfolio	**100**	**159.1**	**6.68**	**90.6**	**5.71**

1. Updated on a quarterly basis and for significant portfolio changes. The valuation information is outlined on the Fund's continuous disclosure page. Excludes assets exchanged but not yet settled (10 Moore Street, Canberra and Foundation Place, Maroochydore).

RG46 statements

The latest RG46 Statement for the Fund is available at: **centuriainvestor.com.au**.

It includes the following key information:

- Gearing ratio, calculated using ASIC methodology
- Gearing covenant sensitivities
- Detail of related party transactions in the period
- Further information on the source of distributions.

Centuria investor website

You can access all information relating to your Centuria investments at **centuriainvestor.com.au**.

Contact details

Centuria Unlisted Property Funds
Direct investors:
Please contact the Investor Services Team
Phone: 1300 22 44 24
Fax: 02 9460 2960
Email: **contactus@centuria.com.au**

Financial advisers:
Please contact your Distribution Team representative
Phone: 02 8923 8923
Email: **contactus@centuria.com.au**

Centuria Property Funds Limited +61 2 8923 8923 | centuria.com.au | **contactus@centuria.com.au** ABN 11 086 553 639 | AFSL 231149

25 MONTPELIER ROAD, BOWEN HILLS QLD