

Centuria

Quarterly fund update
March 2023

Centuria Healthcare Property Fund

(ARSN 638 821 360 APIR CTR0438AU)



HAVELOCK HOUSE, PERTH WA¹

Key points

- The Fund is currently open for investment with strong investor demand to date.
- Total return of 7.35% p.a. for the 12 months to 31 March 2023².
- Income underpinned by 97.7%³ occupancy, WALE of 10.11 years³ and 69.4% of the rental increases linked to CPI.
- Target distribution rate for the June 2023 quarter is 5.00 CPU (annualised)⁴.
- The Fund has entered into additional interest rate hedging for \$50 million for a two year period to June 2025.

Fund summary

Distributions update

Monthly distributions for the Centuria Healthcare Property Fund (Fund) remained at 5.00 CPU (annualised)⁵, which is in line with the target distribution rate of 5.00 CPU (annualised)⁴ for FY23. The corresponding distribution statement for the Fund is enclosed with this report and can also be accessed from our online investor portal at centuriainvestor.com.au.

Please note, given the current volatility in interest rate forecasts, the target distribution rate is being closely monitored. Should interest rates normalise at higher (or lower) than forecast levels, distributions may be impacted. This target distribution rate also 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 and no material changes to the Fund's financial obligations.

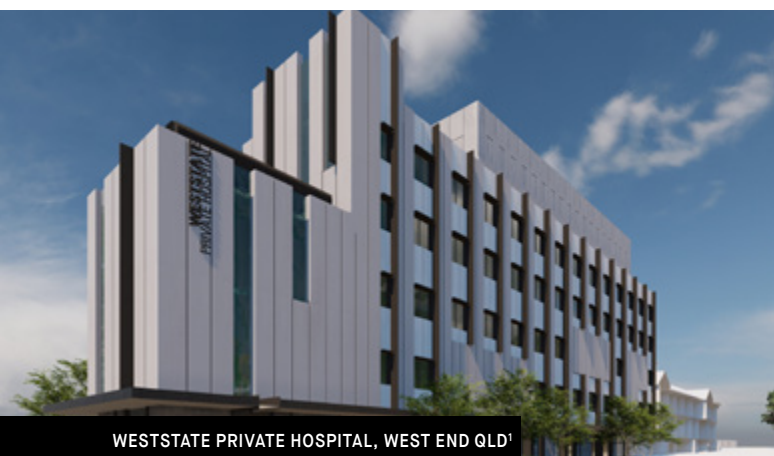
The Fund maintains a diversified portfolio focused on affordable care with investments in day and short stay hospitals, medical centres and specialist centres, life science and dementia care facilities.

We note Orange Private Hospital, the owner of a short-stay private hospital in the Bloomfield Medical Centre in Orange NSW, is currently in rental arrears as at 31 March 2023. Nexus Hospitals has been operating the hospital under the management agreement with Orange Private Hospital. Management has drawn on the bank guarantee and issued a breach notice to the tenant.

The Manager is monitoring this situation very closely and is in discussions with the operator to find a solution. The tenant is actively pursuing a number of options to resolve the situation and is in regular communication with the Manager regarding the status of those options. As part of those discussions, the tenant has agreed to pay part of the outstanding rent by early May.

The tenant contributes 6% of the portfolio income. While no change to the distributions to June 23 is anticipated, if rental arrears continue, then the reduction of income will negatively impact future distributions.

We will continue to provide you with further updates about the status of the tenant's efforts to resolve the situation and any further action that the Manager takes against the tenant.



WESTSTATE PRIVATE HOSPITAL, WEST END QLD¹

1. Havelock House and Weststate Private Hospital photos represent the architect's rendered vision of the properties currently under construction.
2. Since 1 April 2022 to 31 March 2023. Past performance is not a reliable indicator of future performance.
3. Includes rental guarantees. As at 31 March 2023, based on current as-if complete value.
4. 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 Centuria Property Funds No. 2 Limited, as responsible entity of the Fund. These assumptions include that the pipeline properties will be acquired by the Fund at current valuations and that funding will be secured at a particular interest rate. Actual returns may differ from the target return. Centuria Property Funds No. 2 Limited does not guarantee the performance of the Fund, the repayment of capital or any income or capital return. Past performance is not a reliable indicator of future performance. In addition, given the current volatility in interest rate forecasts, this assumption may need to be reviewed. Should interest rates differ from forecast levels, distributions may be revised.
5. The monthly distribution rate paid for the month of March 2023, annualised (assuming equal monthly distributions). Past performance is not a reliable indicator of future performance.

Leasing update

Key leasing highlights over the quarter include:

- A new 5-year lease with Hideaway Café at Coffs Harbour Medical Centre for 175 sqm; and
- A 1.5-year lease renewal with Mid North Coast Local Health District (NSW State Govt.) at Coffs Harbour Medical Centre for 145 sqm.

In addition, we have executed a heads of agreement with a government tenant for a 18 month lease for 596 sqm at 2 Lake Street, Varsity Lakes that is currently under vendor's rent guarantee. This will further de-risk the portfolio's expiry profile.

Redemptions

Over the past quarter, the Fund has received a large number of withdrawal requests which exceed the Fund's annual rolling redemption cap of \$10m per annum. As disclosed in the Fund's Product Disclosure Statement, when withdrawal requests exceed the redemption cap, the Manager will scale back requests on a pro rata basis.

As a result of the large number of withdrawal requests received in the last quarter, the amount available for redemptions this quarter has been exceeded and the quarterly withdrawal facility has been scaled back by 87.6% for the March 2023 quarter.

Any withdrawal requests submitted during a quarter which are not satisfied, either in whole or in part, automatically roll over to the following quarter, unless the Investor requests otherwise or the Manager suspends withdrawals. Any withdrawal requests rolled over to the next quarter do not have priority, but form part of the pool of new withdrawal requests for that next quarter.

Capital raise and pipeline opportunities

The Centuria Healthcare Property Fund is currently open to applications to fund high quality contracted opportunities and committed fund through developments.

The capital raised to date has been primarily utilised to fund the acquisition of Greenfields and the fund through payments for Weststate and Robina.

The Fund has contracted to acquire a quality pipeline of properties valued at \$99.79 million. The acquisitions will diversify the underlying asset mix and improve the portfolio's overall quality. Details of the contracted properties are detailed below.

The Manager has recently settled on 50 Montsalvat Drive, Greenfields in February, following practical completion of the property. The anchor tenant St John's Ambulance service is currently looking into sub leasing the space.

The Bond, NSW

- The Bond is located in Bella Vista NSW, and will be acquired for approximately \$68.25m at a yield of 4.60%.
- The property will have a WALE of 7.9 years at settlement with 100% occupancy. Any available space will be secured by a 2-year rental guarantee.

- The property reached practical completion in March 23 and the settlement is expected in May 23 upon registration of the strata titles.
- The property is located directly adjacent to the Norwest Private Hospital.
- The secured tenants will provide oncology, fertility, childcare and psychology services.

Springwood, QLD

- The property will be acquired upon practical completion at a passing yield of 5.30% for an estimated purchase price of \$31.54 million (Gross purchase price including incentive of \$2.74m).
- The property is in the suburb of Springwood, approximately 20km south of Brisbane CBD, providing healthcare and commercial uses.
- Settlement is conditional upon the vendor satisfying following two conditions.
 - i. A minimum leasing commitment of 65% (by income) from healthcare tenants. A 24 month rent guarantee is in place for the balance of the space (currently 23%).
 - ii. The developer delivering the project practical completion, by the practical completion date of 1 June 2023.

CHDMF1 portfolio

The Manager entered into call option agreements in December 2022 to acquire six healthcare properties from Centuria Healthcare Direct Medical Fund No.1 (CHDMF1) for a gross sale price of \$87.5 million. The settlements of the properties were subject to capital raising in staged sequence. Given, we do not have the required capital to exercise the options for the CHDMF1 properties, the fund will not be proceeding with the transaction as we believe this is in the best interest of the investors.

Developments and fund-throughs

299 Scottsdale Dive, Robina QLD

- The fund-through project is tracking well and expected to reach practical completion by end of April 2023.
- We have had great success with leasing and its 100% leased with a WALE of 10.8 years.
- The tenancy mix include a medical centre, childcare, dentist and other ancillary tenants.

Weststate Private Hospital, West end QLD

- The property is a short stay hospital with a WALE of 25 years with 100% occupancy.
- This is a fund-through project developed by Geon Property and a coupon income is accrued during construction for the construction payments paid by the Fund.
- The tenant (Weststate Private Hospital) has disputed certain works and as a result we are undertaking a detailed review of the design of the hospital with the tenant and the developer. In addition, the inclement weather is delaying the project. This is expected to delay the project to November 23 from June 2023. The coupon income owing to the Fund from the developer will be accrued during the construction period.

1. The ex-div unit price as at 31 December 2022.

2. 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 Centuria Property Funds No. 2 Limited, as Responsible Entity of the Fund. These assumptions include that the pipeline properties will be acquired by CHPF at current valuations and that funding will be secured at a particular interest rate. The actual returns may differ from the target return. Centuria Property Funds No. 2 Limited do not guarantee the performance of CHPF, the repayment of capital or any income or capital return. Past performance is not reliable indicator of future performance. In addition, given the current volatility in interest rate forecasts, this assumption may need to be reviewed. Should interest rates normalise at higher (or lower) than forecast levels, distributions may be revised.

3. Based on the current portfolio as at 31 December 2022 at the as-if complete valuation and excludes properties currently contracted or in due diligence.

4. Performance is shown for informational purposes only. Past performance is not a reliable indicator of future performance. Performance fees may affect total return performance.

5. Inception date is 21 September 2020.

6. Returns are annualised.

- As a result of the delays and potential disputed works, there may be additional costs incurred by the Fund but these may be fully or partially offset by additional direct leasing discussions that we are undertaking with radiology, pharmacy and pathology. If those additional costs are not able to be offset, then this may have an impact on distributions to the Fund.

18 Lisa Crescent, Castle Hill NSW and 35 Chiltern Crescent, Castle Hill NSW

- We are pleased to confirm that the development at 18 Lisa Crescent, Castle Hill is completed now.
- 35 Chiltern Crescent, Castle Hill is on track to be completed during the June 2023 quarter.
- The two properties are 100% leased to Group Homes Australia with a WALE of 13 years.
- Group Homes Australia is specialised operator providing accommodation for residents with dementia.

Financial snapshot

Fund commencement date	8 October 2019
Unit price	1.0939 ¹
Target distribution rate (cents per unit) for June quarter 2023 (annualised)	5.00 ²
Weighted average lease expiry (WALE) by income (years)	10.1 ³
Next investor vote on term of fund	August 2025



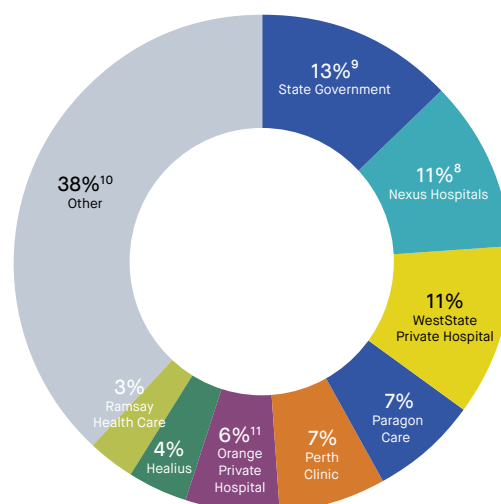
Fund performance breakdown⁴

The Fund closed the quarter with a unit price of \$1.0939 per unit, and this has resulted in a total return since inception of 8.9% p.a. and 1 year return of 7.35%. The table below summarises the Fund's performance since inception⁴.

AS AT 31 MARCH 2023	6 MTH (%)	1 YR (%)	SINCE INCEPTION (% P.A.) ^{5,6}
Capital growth	-0.43	2.55	3.54
Distribution	2.28	4.80	5.34
Total return	1.85	7.35	8.88

Top tenants by gross passing income

Nexus Hospitals, Australia's second-largest day hospital operator is owned by QIC's Global Infrastructure Fund⁷, comprises 17.1% of the portfolio's gross passing income as at 31 March 2023. QIC has entered into an agreement to purchase Montserrat Day Hospitals (portfolio of eight hospitals and several clinics) from ASX-listed group Healix for \$140 million. The deal represents a great outcome for investors in healthcare, as it further reinforces strong demand for short-stay hospitals.



Portfolio statistics

	MAR 22	JUN 22	SEP 22	DEC 22	MAR 23
Portfolio occupancy	98.3%	99.4%	99.4%	99.5%	97.7% ¹²
Weighted average lease expiry (WALE) by income (years)	10.7	10.3	10.6	10.5	10.11
Portfolio valuation (at ownership)	507.5	564.6	573.9	576.1	585.8 ¹³

- The ex-div unit price as at 31 March 2023.
- 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 the control of Centuria Property Funds No. 2 Limited, as responsible entity of the Fund. These assumptions include that the pipeline properties will be acquired by the Fund at current valuations and that funding will be secured at a particular interest rate. Actual returns may differ from the target return. Centuria Property Funds No. 2 Limited does not guarantee the performance of the Fund, the repayment of capital or any income or capital return. Past performance is not a reliable indicator of future performance. In addition, given the current volatility in interest rate forecasts, this assumption may need to be reviewed. Should interest rates differ from forecast levels, distributions may be revised.
- Based on the current portfolio as at 31 March 2023 at the as-if complete valuation and excludes properties currently contracted or in due diligence.
- Performance is shown for informational purposes only. Past performance is not a reliable indicator of future performance. Performance fees may affect total return performance.
- Inception date is 21 September 2020.
- Returns are annualised.
- QIC's Global Infrastructure Fund and co-investors acquired a c.75% equity interest in Nexus Hospitals in September 2019.
- Excludes Bloomfield Medical Centre where the hospital is owned by Orange Private Hospital Pty Ltd but operated by Nexus under a management agreement.
- Includes Mid North Coast Local Health District at Coffs Harbour Medical Centre, NSW, Peninsula Health at Frankston, VIC, and Queensland Health at Varsity Lakes, QLD.
- Includes rental guarantees.
- Hospital operated by Nexus.
- Includes rental guarantees. As at 31 March 2023, based on current as-if complete value.
- Based on the current portfolio as at 31 March 2023 on an "as-if complete" basis and excludes properties currently contracted or in due diligence.

Property details

PROPERTY	PROPERTY VALUE ⁷ (\$M) (100%)	CAP RATE	DIRECT OWNERSHIP %	OWNERSHIP VALUE (\$M)	WALE (BY INCOME) – YEARS ^{1,2}	OCCUPANCY ²
Vermont South Medical Centre, VIC	70.2	4.9%	85%	59.7	9.4	88%
Forrest Family Practice, WA	8.1	5.4%	100%	8.1	8.3	100%
Bloomfield Medical Centre, NSW	67.3	5.0%	85%	57.2	6.0	100%
Hobart Day Surgery, TAS	5.8	6.5%	85%	4.9	1.3	100%
Sundew Day Surgery, Joondalup WA	15.8	5.0%	85%	13.4	6.9	100%
Cairns Day Surgery, QLD	25.6	5.0%	100%	25.6	6.9	100%
Coffs Harbour Medical Centre, NSW	25.5	5.5%	100%	25.5	2.6	100%
18 Lisa Crescent, Castle Hill, NSW ³	3.4	5.0%	100%	3.4	13.2	100%
35 Chiltern Crescent, Castle Hill, NSW ³	3.4	5.0%	100%	3.4	13.2	100%
Perth Clinic, West Perth, WA	52.8	4.4%	100%	52.8	12.9	100%
411 Nepean Highway, Frankston VIC	12.8	4.8%	100%	12.8	6.2	100%
275 Addison Road, Petersham, NSW	8.8	4.8%	100%	8.8	11.4	100%
Weststate Private Hospital, West End QLD ³	25.3	5.8%	100%	25.3	25.0	100%
38-44 Gap Road, Sunbury VIC	30.1	4.5%	100%	30.1	6.8	93%
3 Garrick Road, St Ives NSW	4.2	5.3%	100%	4.2	18.6	100%
49 Benaroon Crescent, St Ives NSW	3.4	5.3%	100%	3.4	18.6	100%
77-97 Ricketts, Mt Waverley VIC ⁴	29.5	4.3% ⁵	100%	29.5	13.5	100%
2 Lake Street, Varsity Lakes QLD	75.7	4.5%	100%	75.7	5.6	98%
West Medical Hub, West Lakes SA	14.6	5.5%	100%	14.6	5.6	89%
299 Scottsdale Drive, Robina QLD ³	21.5	4.8%	100%	21.5	10.8	100%
168 Corfield Street, Gosnells WA	11.7	5.3%	100%	11.7	5.7	100%
60B Kingsvale Road, Myocum NSW	8.9	5.3%	100%	8.9	19.4	100%
50 Montsalvat Drive, Greenfields WA	10.3	5.3%	100%	10.3	9.1	100%
Indirect properties – investment in NPUT⁶				11.2		
Current portfolio – as is valuation	534.4	4.9%		521.7	8.9	97.5%
Current portfolio – as if complete valuation	598.5	4.9%		585.8	10.1	97.7%
The Bond, 8 Elizabeth MacArthur Drive, Bella Vista NSW	68.3	4.5%	100%	68.3	7.9	100%
4 Paxton Street, Springwood QLD	28.8	5.3%	100%	28.8	4.9	100%
Current and contracted portfolio⁶ – as if complete valuation	695.6m	4.9%		682.9m	9.8	98.0%

1. As at 31 March 2023.

2. Includes rental guarantees.

3. This property is currently under construction. Property value reflects "As Is" valuation. The "As If" complete value is \$4.4 million for 18 Lisa Crescent Castle Hill, NSW, \$4.4 million for 35 Chiltern Crescent, Castle Hill, NSW, \$60.5 million for Weststate Private Hospital, West End, QLD and \$27.5 million for 299 Scottsdale Drive, Robina, QLD.

4. Property value reflects "As Is" valuation. The "As If" complete value is \$50.5 million.

5. Core cap rate for the As If Complete valuation.

6. The Fund also has an indirect interest in the Nexus anchored properties via Nexus Property Unit Trust (NPUT). NPUT currently owns a 15% interest in Vermont South Medical Centre, Bloomfield Medical Centre, Hobart Day Surgery and Sundew Day Surgery.

7. Independent Valuations as at 31 December 2022.

Debt summary

The table below summarises terms for the existing facility agreements with NAB, BOQ, ANZ and BOC. Proceeds from the ongoing capital raise have been partially utilised to repay debt, improving the Fund's percentage of debt hedged in the current rising interest rate environment.

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$330.0m ³	
Undrawn amount	\$108.8m ³	
Weighted average loan expiry	2.4 years	2.4 years
% of debt hedged	68.7% ¹	
Loan to value ratio (LVR)	42.2% ²	55.0%
Interest cover ratio (ICR)	3.7x ³	2.00x

Given the current volatility in interest rate forecasts, if interest rates differ from forecast levels, this may have an impact on the 2024 financial year distribution rate.

Continuous disclosure website

The Fund's continuous disclosure website can be found in the Investor Centre section of the Fund's website centuria.com.au/healthcare-property-fund/investor-centre/. These continuous disclosures are updated regularly and include important information relating to the Fund, including details on the operation of the quarterly liquidity facilities and distributions.

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

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.



1. As of 31 March 2023.

2. The LVR is based on a drawn debt amount of \$221.2m over the valuations for the current properties as at 31 March 2023.

3. As at 31 March 2022.

Disclaimer: This communication has been issued by Centuria Property Funds No. 2 Limited ABN 38 133 363 185 AFSL 340304 (CPF2L, Centuria) as Responsible Entity of the Centuria Healthcare Property Fund ARSN 638 821 360 (Fund or CHPF). This communication is not a recommendation or personal advice in relation to, or any offer of securities in, Centuria or any product or service offered by Centuria. The information in this communication is general information only and does not take into account the objectives, financial situation or particular needs of any person. You should consider whether this information is appropriate for you and consult your financial or other professional advisor before investing. You should obtain and read a copy of the PDS relating to the Fund before making a decision to invest. The Product Disclosure Statement (PDS) for the Fund is available from Centuria's website (www.centuria.com.au). A Target Market Determination has been issued for this product and can be found on Centuria's website at: centuria.com.au/DDO/. Past performance is not a reliable indicator of future performance. All investment is subject to investment risk, including possible delays in payment or loss of income and principal invested. None of Centuria or any of their respective associates, related entities or directors guarantee the performance of the Fund or the repayment of monies invested.