Core Property
Fund Research & Ratings
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Unlisted Property Trust Report

Centuria Industrial Income Fund No.1

February 2021

Industrial fund with three well located assets
targeting 6.0%+ distributions

Centuria Industrial Income Fund No.1

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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Centuria Industrial Income Fund No.1

February 2021

The Centuria Industrial Income Fund No.1 ("the Fund") is an unlisted property fund that invests in a portfolio of three industrial assets in Queensland and South Australia. The Fund has an initial term of six-years to March 2027.

The Fund's Responsible Entity, Centuria Property Funds Limited ("the RE", or "the Manager") is seeking to raise $39.7M through the offer of 39.7M units at $1.00 per unit ("the Offer"). Funds raised will be used, in conjunction with debt, to acquire the properties at 136 Zillmere Rd, Boondall QLD, 2-8 Titanium Court, Crestmead QLD and 68-70 Kapara Rd, Gillman SA ("the Properties").

The assets provide a diversified exposure to the industrial real estate sector, with income supported by strong property metrics: (1) the Properties are 100% occupied with a Weighted Average Lease Expiry (WALE) of 9.1 years (by income); (2) the Properties are located in well-established industrial precincts; and (3) the leases are underpinned by strong tenant covenants – the QLD properties have long-standing tenants with lease expiries of 10-years, and the SA property is adjacent and connected to the tenant's key container logistics operations in the Port Adelaide precinct. Rental income from the two QLD properties is above market rents but this has been factored in the independent valuations.

The Properties are being acquired on a weighted portfolio capitalisation rate of 5.97% (range 5.75% - 6.75%) with the acquisition price being reflective of the long WALE and strong tenancy profile.

The Fund has terms for an initial three-year debt facility at a fixed interest rate of 2.10% p.a. The initial Loan to Valuation Ratio (LVR) of 46.3% provides a buffer to the LVR bank covenant of 60.0% and the initial Interest Coverage Ratio (ICR) of 4.75x is well above the bank ICR covenant of 2.0x.

The Fund will have an initial NTA of $0.87 per unit after deducting the upfront costs, most of which relates to stamp duty and acquisition costs.

Fees charged by the Fund are at the low-end of what Core Property has seen in the market, however it is noted that the Performance Fee hurdle is an IRR of 8%, which is at the lower end of the range of what Core Property has currently seen in the market.

The Manager is forecasting a 6.0% (annualised) distribution yield in FY21, increasing to 6.25% in FY22. Based on the Manager's assumptions, Core Property estimates that distributions can steadily increase to 7.8% p.a. over six-years.

Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of between 5.7% - 9.8% p.a. (midpoint 7.7% p.a.) based on the Manager's assumptions and assuming a +/- 50 bps movement in capitalisation rates over the initial six-year term (see *Expected Future Performance (IRR Sensitivity)*). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions and investor returns are dependent on the sale price of the Properties.

Investor Suitability

Core Property considers the Fund will appeal to investors seeking a core investment in a portfolio of industrial assets. Distribution income is expected to be well supported by strong tenant covenants from properties located in well-established industrial precincts.

Capital gains are expected to be low to moderate given the passive nature of the investment strategy. However, demand for well-located industrial properties with quality tenants remains high from investors seeking exposure to industrial properties and logistics centres benefitting from a significant shift to e-commerce.

The Fund should be considered as part of a Core investment strategy. The Fund is illiquid, and investors should expect to remain invested for the minimum initial term of six years.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Fund Details	
Offer Open:	1 February 2021
Offer Close:	26 February 2021[1]
Min. Investment:	$50,000[2]
Unit Entry Price:	$1.00
Initial Net Tangible Asset per unit:	$0.87
Liquidity:	Illiquid
Forecast Distributions:	6.00% p.a. (FY21) 6.25% p.a. (FY22)
Distribution Frequency:	Monthly
Initial Investment Period:	6.0 years to March 2027

1. The Manager may shorten or extend the Offer period at any time, subject to demand.
2. The Manager may accept lower amounts at its discretion.

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Fund – Website

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Note: This report is based on the Centuria Industrial Income Fund No.1 Product Disclosure Statement dated 1 February 2021, together with other information provided by Centuria.

Key Considerations

Management: Well-regarded fund manager with a solid track record of managing property funds, corporate governance, and maintaining and improving occupancy rates. Since 1999 Centuria has completed 44 funds delivering a weighted average total return of 16.8% p.a. and an average total return of 15.3% p.a.

Fund Structure: The properties will be held in three separate sub-trusts to provide flexibility for the assets to be sold separately. The sub-trusts will be 100% owned by the Fund.

Fund Strategy: The Fund primarily offers a Core investment strategy to invest in industrial properties located in established industrial precincts.

Property Portfolio: The Fund is looking to acquire three industrial properties for $62.5M with a portfolio WALE of 9.1 years and 100% occupancy: 1) 136 Zillmere Road, Boondall QLD is being acquired for $39.6M and is 100% occupied with a WALE of 10.3 years; 2) 2-8 Titanium Court, Crestmead QLD is being acquired for $12.4M and is 100% occupied with a WALE of 10.0 years, and 3) 68-70 Kapara Road, Gillman SA is being acquired for $10.5M and is 100% occupied with a WALE of 3.3 years. The properties are being acquired at a weighted average portfolio capitalisation rate of 5.97%, with the prices being supported by long lease expiries and strong tenant covenants.

Lease Profile: The properties exhibit a relatively strong tenancy profile – Boondall QLD and Crestmead QLD are leased to long term tenants Bradnam's Windows and Doors, and Vulcan Steel with remaining lease terms of at least 10 years. The Gillman SA property is leased to ACFS Logistics with a WALE of 3.3 years, with the property adjoining ACFS's main container logistics operations in the Port Adelaide region. The Boondall QLD and Crestmead QLD properties are currently leased at above market rents, which have been factored into the independent valuations for the properties.

Debt Profile: The Fund has credit approved terms for a $28.5M three-year debt facility at a forecast fixed interest rate of 2.10% p.a. The debt facility is expected to be drawn to $28.1M with an initial Loan to Valuation Ratio (LVR) of 46.3%, against a bank LVR covenant of 60%. The Interest Coverage ratio (ICR) of 4.75x is well above the bank ICR covenant of 2.0x. The debt facility expires in March 2024 and the Manager will need to extend or replace the debt to cover the initial six-year term of the Fund. The debt is held at the Fund level with security against the underlying assets in each Sub-Trust.

NTA: The Fund's NTA is estimated at $0.87 per unit following the acquisition.

Distributions: The Manager is forecasting initial distributions of 6.0% p.a. (annualised) for FY21 (1 March – 30 June 2021), increasing to 6.25% in FY22. Distributions are paid monthly. Based on the Manager's assumptions Core Property estimates the Fund can steadily increase distributions to around 7.8% p.a. by FY27.

Fees: Core Property considers the overall fees to be at the low end of what has been seen in the market (*see Figure 5: Fees in Perspective*). Performance Fees are 20% over an 8.0% IRR hurdle, with the hurdle rate at the lower end of what is currently seen in the market.

Total Returns: Core Property estimates the Fund to deliver an IRR of 5.7% - 9.8% p.a. (midpoint 7.7% p.a.) based on the Manager's assumptions and assuming a +/- 50 bps sensitivity to capitalisation rates (see the *Financial Analysis section*). Investors should be aware the Fund is exposed to a capital gain or loss based on the sale price of the assets and the overall market conditions, which may deliver an IRR outside this range.

Related Party Transactions: 136 Zillmere Road, Boondall QLD property is being acquired from a related party, Centuria Industrial REIT (ASX: CIP) in an off-market transaction with the acquisition price supported by an independent valuation. Centuria is also providing a loan to fund the deposit for all three properties and to secure a hedge on the debt, with total interest estimated at $0.1M.

Illiquid investment: Investors must accept that by their very nature, unlisted property funds are illiquid and expect to remain invested for the initial six-year term to March 2027. The Manager may extend the Fund for two years subject to an Ordinary Resolution (50% of votes in favour). At the end of the extended period the Manager may further extend the Fund, if it receives the approval of 100% of votes, or where there is less than 100% of votes then investors who vote against the extension are provided the opportunity to exit at the prevailing Withdrawal Price.

Investment Scorecard

Management Quality	★★★★★
Governance	★★★★☆
Portfolio	★★★☆☆
Income Return	★★★☆☆
Total Return	★★★☆☆
Gearing	★★★☆☆
Liquidity	★☆☆☆☆
Fees	★★★☆☆

Key Metrics

Structure

An unlisted property fund investing in a portfolio of three industrial assets located in Boondall QLD, Crestmead QLD and Gillman SA. Each property is held in a separate Sub-Trust that is fully owned by the Fund.

Management

Centuria is a subsidiary of the ASX-listed specialist investment manager, Centuria Capital (ASX: CNI). It is a well-regarded Australian fund manager with demonstrable experience in property and finance. Greater representation of non-executive directors' lead to a balance of decision making.

Property Portfolio

No. of Properties:	3	
Property Portfolio:	Location	Valuation
	136 Zillmere Road, Boondall QLD	$39.6M
	2-8 Titanium Court, Crestmead QLD	$12.4M
	68-70 Kapara Road, Gillman SA	$10.5M
	Total	**$62.5M**
Property Sector:	Industrial	
Key Tenants:	Bradnam's Windows and Doors, Vulcan Steel, ACFS	
Occupancy:	100.0%	
WALE:	9.1 years (by income)	

Return Profile

Forecast Distribution:	FY21: 6.0% p.a. (annualised) FY22: 6.25% p.a.
Distribution Frequency:	Monthly
Tax advantage:	FY21: est. 65% tax deferred FY22: est. 35% tax deferred
Estimated Levered IRR (pre-tax, net of fees):	5.7% - 9.8% p.a. (midpoint 7.7%) (net of fees)
Investment Period:	6 years to March 2027

Risk Profile

Property/Market Risk:	Investors will be exposed to a potential capital gain or loss, based on market conditions.
Trust Investment Risk:	Illiquid nature of the Trust, gearing and interest rate risk.
Regulatory Risk:	Changes to taxation affecting the tax effectiveness of income and capital distributions.
Diversification Risk:	The Fund contains properties diversified by geographic locations in the industrial sector.
Tenant Risk:	Each property is reliant on a dominant single tenant which exposes it to substantial reliance on tenancy performance.

For a more detailed list of the key risks, refer to "Section 10: Investment Considerations and Risks" of the Product Disclosure Statement.

Fees Paid

Core Property considers the Management Fees charged by the Fund to be at the low end of what has been seen in the market (see Figure 5: Fees in Perspective).

Entry Fees:	Nil
Exit Fees:	Nil
Property Acquisition Fee:	2.0% of purchase price
Property Disposal Fee:	1.0% of the sale price. Any external agent's fee will be paid out of the fee.
Management Fees:	- Management Fee: 0.80% p.a. of GAV. - Trust Expenses: est. 0.23% p.a. of GAV.
Performance Fee:	20% of the outperformance over an IRR of 8.0% p.a.

Debt Metrics – indicative

Drawn Debt / Facility Limit:	$28.1M / $28.5M
Loan Period:	3 years, expiring March 2024
Initial LVR / LVR Covenant:	46.3% / 60%
ICR / ICR Covenant:	4.75x / 2.0x

Legal

Offer Document:	Centuria Industrial Income Fund No.1 Product Disclosure Statement, dated 1 February 2021
Wrapper:	Unlisted Property Trust
Responsible Entity & Manager:	Centuria Property Funds Limited (ABN 11 086 553 639, AFSL No.231149)

Fund Overview

The Fund is a closed-ended, unlisted property fund that will invest in a portfolio of three industrial properties located in QLD and SA ("the Properties"). The Fund has an initial term of six-years.

Centuria Property Funds Ltd, the Manager and Responsible Entity ("the Manager", "the RE") is seeking to raise $39.7M in equity through the issue of 39.7M units at $1.00 per unit ("the Offer"). The Fund has a minimum investment of $50,000, however the Manager may accept lesser amounts at its discretion.

The Properties will be acquired for $62.5M in total with settlement estimated on 1 March 2021. The Properties are all fully occupied with a portfolio Weighted Average Lease Expiry (WALE) of 9.1 years (by income).

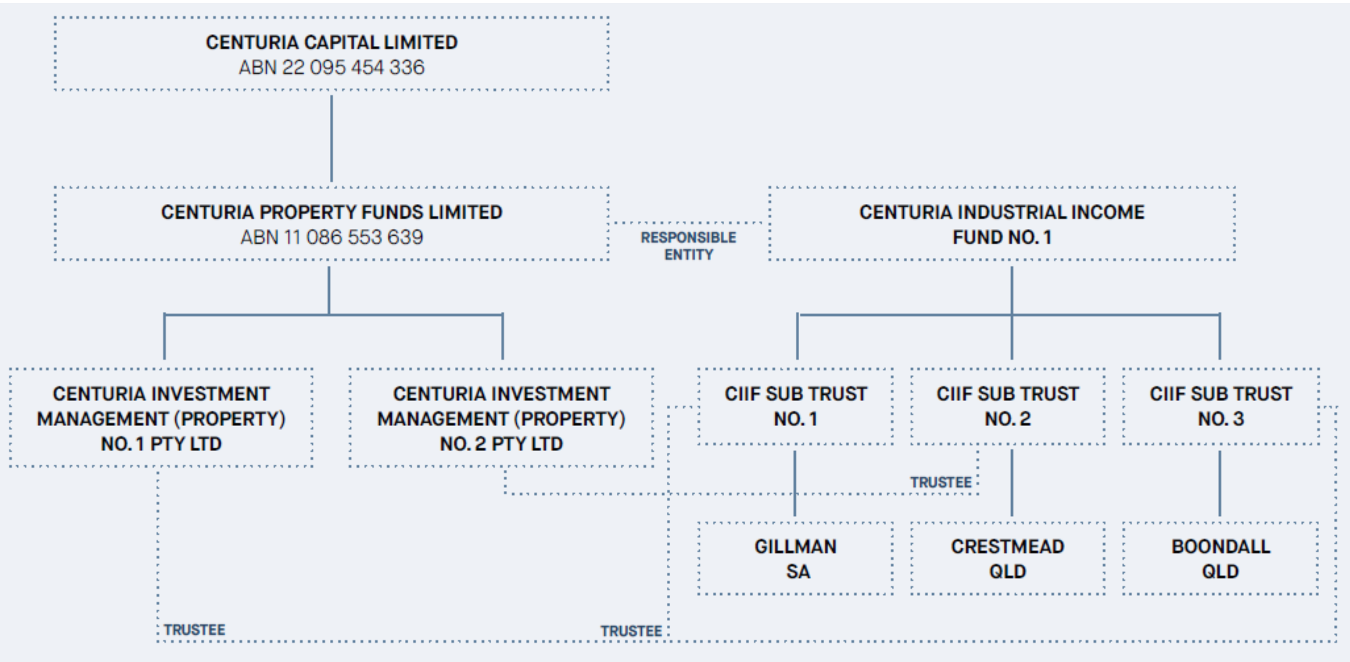
- 136 Zillmere Road, Bundall QLD is being acquired for $39.6M and is 100% occupied by Bradnam's Windows and Doors with a WALE of 10.3 years. The property is being acquired from a related party, Centuria Industrial REIT (ASX: CIP) in an off-market transaction.
- 2-8 Titanium Court, Crestmead QLD is being acquired for $12.4M and is 100% occupied by Vulcan Steel with a WALE of 10.0 years.
- 68-70 Kapara Road, Gillman SA is being acquired for $10.5M and is 100% occupied by ACFS Logistics with a WALE of 3.3 years.

The proposed acquisition is expected to settle on 1 March 2021 with each property to be held in separate Sub-Trusts (or Holding trusts). The Sub-Trusts are wholly owned by the Fund to provide flexibility for assets to be sold independent of each other. Debt is held at the Fund level, with security over the underlying assets in the Sub Trusts.

The Fund has a target distribution yield of 6.0% p.a. (annualised) for the FY21 period (1 March 2021 – 30 June 2021), increasing to 6.25% p.a. in FY22. Based on the Manager's assumptions, Core Property estimates the Fund can increase distributions to around 7.8% p.a. in FY27.

A summary of the Fund structure is provided below.

Figure 1: Fund structure



Source: Centuria

Fund strategy

The Fund provides a core investment strategy by investing in a portfolio of three, well located, industrial properties in QLD and SA. The properties provide a stable, long term income stream underpinned by national and multinational tenancies. The properties are located in core industrial locations in close proximity to transport networks.

Liquidity / exit strategy

Investors should view the Fund as illiquid in nature and expect to remain invested for the initial six-year term of the Fund. The Manager may also extend the Fund for two years subject to an Ordinary Resolution (50% of votes in favour).

The Fund may be extended beyond eight years for up to two years at a time, where a Unanimous Resolution (100% of votes cast in favour) is needed, or, where there is not a Unanimous Resolution, those who voted against the extension are provided the opportunity to exit the Fund at the prevailing Withdrawal Price (being the net asset value of the Fund based on an independent valuation *less* estimated transaction costs).

Sources & Application of funds

The PDS sets out the sources and application of funds for the properties.

Investors should also note the Fund may issue Acquisition Units to facilitate the acquisition of properties. Acquisition Units rank equally with all units in the Fund however, the Acquisition Units may be redeemed through the issue of new units in the Fund.

Figure 2: Sources and Application of Funds

	$M	% of purchase price	% of total funds
Sources of funds			
Equity subscriptions	$39.7M	63.6%	58.6%
Bank debt	$28.1M	45.0%	41.4%
Total sources of funds	**$67.9M**	**108.6%**	**100.0%**
Application of funds			
Purchase price	$62.5M	100.0%	92.1%
Acquisition Costs (Stamp Duty)	$3.3M	5.2%	4.8%
Debt and Fund Establishment Costs	$0.8M	1.3%	1.2%
Manager's Fee (Acquisition Fee)	$1.3M	2.0%	1.8%
Working Capital & Capital Expenditure Reserves	$0.1M	0.1%	0.1%
Total application of funds	**$67.9M**	**108.6%**	**100.0%**

Source: Centuria, Core Property

Debt Facility & Metrics

The Manager has received credit approved terms for a three-year debt facility of $28.5M. The Manager expects the initial drawn debt to be $28.1M at a fixed rate of 2.10% p.a. If the LVR increases above 55.0%, the total cost of interest increases by 0.2% to 2.30% p.a.

The initial Loan to Valuation Ratio (LVR) is expected to be 46.30%, against a bank LVR covenant of 60.0%. Core Property calculates that the value of the Properties must fall by 22.8% for the bank LVR covenant to be breached. The LVR calculation is based on the Properties being valued at $60.7M, being the acquisition price of $62.5M less the $1.8M in incentives.

The initial Interest Coverage ratio (ICR) is 4.75x against a bank ICR covenant of 2.0x. Core Property calculates the net operating income must fall by 57.96% for this covenant to be breached.

The Fund has entered into a short-term loan agreement with Centuria Capital (ASX: CNI) for $3.925M (at a rate of 10% p.a. for approximately four months) to fund the deposit for the purchase of the Properties and costs associated with setting up the debt facility terms. The total interest on the loan is estimated at $111,836 and has been included in the costs of the transaction.

Investors should be aware that any change in the final debt terms may impact final returns provided by the Fund. A change in the terms and cost of debt may impact investor returns of the Fund.

The initial debt facility is for three years and the Fund will require an extension of the debt facility to cover the full term of the Fund.

The debt is expected to be held by the Fund, with a first ranking general security deed over the assets of the Holding Trusts (ie the Sub-Trusts).

Figure 3: Debt Metrics - indicative

Details	Metric
Bank	Westpac Banking Corporation
Security	General security deed over the assets of the Fund as well as first ranking security deed over the assets in the Holding Trusts (ie Sub-Trusts).
Drawn Debt / Debt Facility Limit	$28.1M / $28.5M
Loan Type	Interest only
Loan Period	3 years expiring March 2024
% Hedged	Expected 75% - 100% fixed
Average cost of debt	2.10% p.a.
Initial LVR / Peak LVR / LVR Covenant	46.3% / 46.3% / 60%
Initial interest covered ratio (Lowest ICR) / ICR covenant	4.75x / 2.0x
Amount by which valuation will have to fall to breach LVR covenant	22.8%
Decrease in net income to breach ICR covenant	57.9%

Source: Core Property, Centuria

Fees Charged by the Fund

Overall, Core Property considers the fees charged to be at the low-end of what has been seen in the market (see "All-in fee analysis" below).

Core Property notes that the Performance Fee on the Fund is calculated at 20% of the Fund's performance above an IRR of 8.0% p.a. The threshold of 8.0% p.a. is at the lower end of what Core Property currently has seen in the market, which we consider to be reflective of the current low interest rate environment.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee:	Nil	
Exit Fee:	Nil	
Establishment and Placement Fee (Acquisition Fee):	2.0% of the gross value of the Properties.	Core Property considers the Fee to be at the high end of the industry average of 1.0% - 2.0%.
Sale Fee (Disposal Fee):	1% of the consideration received by the Fund for the sale of its interest in the properties.	The Fee is at the low end of the industry average of 1.0% - 2.0%. Core Property notes the Manager will pay any external sales agent fees out of this amount.
Management Fees:	- Management Fees of 0.80% p.a. of the Fund's Gross Assets. - Other costs and expenses are estimated at 0.23% p.a. of the Fund's gross assets.	Core Property considers the Fees to be at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of gross assets).
Performance Fee:	20% of the Fund's outperformance over an IRR of 8.0% p.a.	Core Property considers the Fee of 20% to be in line with industry practice. The threshold of 8.0% p.a. is at the lower end of what has been seen in the market.

Source: Centuria, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the Manager over the term of the Fund as a percentage of all cash flow generated after deducting interest costs but before management fees and performance fees.

Core Property estimates the Manager is entitled to 7.4% of the total cash flow. Core Property considers the fees paid to the Manager to be at the low end of the range when compared to similar products, which are typically around 7% - 9%. In terms of fees paid to the Manager, Core Property estimates that 27.1% of the estimate fee is paid upfront and the remainder relates to ongoing management fees. Core Property stresses that these estimates of how much investors will receive are not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective – based on a six-year term

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$1.45
Total cash to investors:	**$1.45**
Acquisition fee:	$0.03
Base management fee:	$0.07
Disposal fee:	$0.02
Debt Arrangement fee:	$0.00
Performance fee:	$0.00
Fees for the RE (excluding disposal/admin):	**$0.12**
Total cash generated by Fund:	**$1.57**
Fees = % of total cash generated (before fees)	7.4%
Up-front fee as a % of total fees	27.1%

Source: Core Property estimates

The Properties

The Fund will own three industrial properties valued at $62.5M with all three properties fully leased with a portfolio WALE of 9.1 years (by income).

- **136 Zillmere Road, Boondall QLD** is an industrial facility located in the northern Brisbane industrial precinct of Boondall, approximately 17km north of the Brisbane CBD. The 3.2 ha. site provides 16,048 sqm of gross lettable area (GLA) across two freestanding industrial buildings constructed in 1972 and 2008 and is fully leased to Bradnam's Windows and Doors on a 10.9-year lease to June 2031 with 10.3 years remaining. The property is being acquired from Centuria Industrial REIT (ASX: CIP), a related party, for $39.6M on a capitalisation rate of 5.75%.
- **2-8 Titanium Court, Crestmead QLD** is an industrial property located in the southern industrial precinct of Crestmead, approximately 28kms south of the Brisbane CBD. The 1.0 ha site provides 4,978 sqm of GLA and was constructed in 2001 and extended in 2014. The property is fully leased to Vulcan Steel on an extended 20-year lease from February 2011-2031, with 10 years remaining. The property is being acquired for $12.4M with a capitalisation rate of 6.00%.
- **68-70 Kapara Road, Gillman SA** is a purpose-built office/warehouse constructed in 2006 and situated in the established industrial location of Gillman SA, approximately 15km northwest of the Adelaide CBD. The property is within the Port Adelaide industrial region on a 2.5 ha. site with 7,187sqm of GLA. Constructed in 2006, the property is leased to ACFS Port Logistics and adjoins ACFS's neighbouring site operations for the Port Adelaide region, with a 4-year lease in place with 3.4 years remaining, and 2x5 year options. The property is being acquired for $10.5M from Kerry Logistics, which is owned by ACFS Port Logistics, on a 6.75% capitalisation rate.

A summary of the properties is provided below.

Figure 6: Property Portfolio Metrics – as at 1 March 2021 (pro forma)

Property	Acqn Date	Site Area (sqm)	GLA (sqm)	Key Tenant	Valn	Portfolio Weight	Cap Rate	Occ %	WALE by income
136 Zillmere Road, Boondall QLD	March 2021	31,980	16,048	Bradnam's	$39.6M	63.4%	5.75%	100%	10.3 yrs
2-8 Titanium Court, Crestmead QLD	March 2021	10,180	4,978	Vulcan Steel	$12.4M	19.8%	6.00%	100%	10.0 yrs
68-70 Kapara Road, Gillman SA	March 2021	24,570	7,187	ACFS	$10.5M	16.8%	6.75%	100%	3.3 yrs
Total Portfolio	**March 2021**	**66,730**	**28,213**		**$62.5M**	**100%**	**5.97%**	**100%**	**9.1 yrs**

Source: Centuria

Figure 7: 136 Zillmere Rd, Boondall QLD

Figure 8: 2-8 Titanium Court, Crestmead QLD

Figure 9: 68-70 Kapara Road, Gillman SA

Figure 10: 136 Zillmere Rd, Boondall QLD

Figure 11: 2-8 Titanium Court, Crestmead QLD

Figure 12: 68-70 Kapara Road, Gillman SA

Source: Centuria, Savills, Knight Frank, Nearmap, Google maps

Property Valuations

The Fund's valuation policy requires each property to be valued by an independent valuation at least once every two years. However, the Manager, Centuria, typically undertakes an independent valuation annually for all its properties.

Independent valuations were carried out on the properties in September and November 2020 by Savills and Knight Frank. The independent valuations have also been updated to 1 March 2021 and make several assumptions regarding market rent, tenant incentives, re-letting and other factors based on available market evidence. Core Property notes the properties at Boondall QLD and Crestmead QLD are currently leased at above market rents, with the valuations adjusted for rent reversions at the end of the lease period.

A summary of the main assumptions adopted in the valuations is provided below.

Figure 13: Valuation Metrics

	136 Zillmere Road, Boondall QLD	2-8 Titanium Court, Crestmead QLD	68-70 Kapara Road, Gillman SA
Title	Freehold	Freehold	Freehold
Acquisition date:	March 2021	March 2021	March 2021
Ownership	100%	100%	100%
Site Area	31,980 sqm	10,180 sqm	24,570 sqm
Gross Lettable Area	16,048 sqm	4,978 sqm	7,187sqm
Major Tenant (% GLA)	Bradnam's (100%)	Vulcan Steel (100%)	ACFS (100%)
Weighted Average Lease Expiry	10.3 years	10.0 years	3.3 years
Occupancy	100%	100%	100%
Initial net passing income	$2.7M	$0.9M	$0.7M
Net Market income (fully leased)	$2.2M	$0.6M	$0.7M
Purchase price	$39.6M	$12.4M	$10.5M
Valuation	$39.6M	$12.4M	$10.5M
Passing initial yield	6.78%	7.12%	6.79%
Capitalisation rate	5.75%	6.00%	6.75%
Valuer	Savills	Savills	Knight Frank
Valuation Date	November 2020	September 2020	November 2020
Valuer's Discount rate	6.50%	6.50%	7.50%
Value/sqm	$2,468 per sqm	$2,490 per sqm	$1,461 per sqm
Valuer's unleveraged 10-year IRR	6.62%	6.65%	7.11%

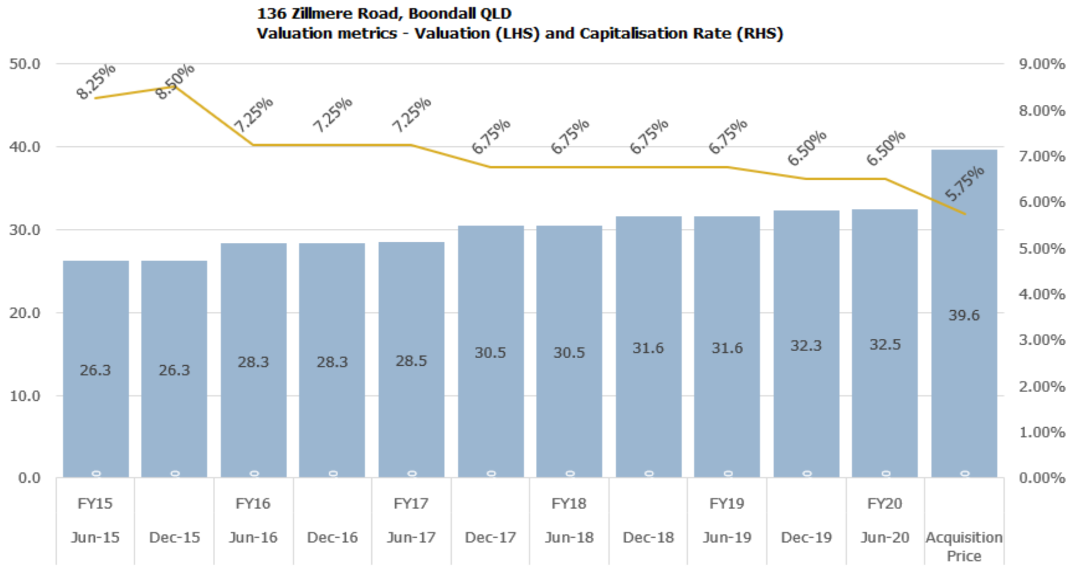
Source: Savills, Knight Frank

136 Zillmere Road, Boondall QLD is being acquired from Centuria Industrial REIT (ASX: CIP) for $39.6M. CIP has owned the property since January 2015 when it was acquired by CIP's predecessor, the 360 Capital Industrial Fund (prior ASX code TIX). The property was acquired for $25.0M in January 2015 on an 8.5% capitalization rate with Bradnam's as tenant on an 8.7-year WALE.

Core Property notes the property was valued at $32.5M at June 2020, on a capitalisation rate of 6.5% with a WALE of 3.2 years. The increase in valuation to $39.6M was calculated by the independent valuer on the basis of a new 11-year lease to Bradnam's, and a reduction in the capitalisation rate to 5.75%.

The following is a summary of the valuation of the property as provided by the ASX reports for CIP.

Figure 14: Reported valuation metrics for 136 Zillmere Road, Boondall QLD as provided by ASX announcements



Source: ASX announcements for Centuria Industrial REIT (ASX: CIP) and 360 Capital Industrial Fund (ASX: TIX)

Leases, tenants and income

136 Zillmere Road, Boondall QLD (63.0% of gross income) is fully leased to Bradnam's Windows and Doors on a new 10.9-year lease which commenced in July 2020 and expiring in June 2031. The property serves as Bradnam's head office and is one of eight manufacturing locations for aluminium framed windows and doors for the building industry. Bradnam's is family owned, having commenced operations in 1977 in Hervey Bay and have grown to over 1,000 employees with 17 showrooms across Australia.

Bradnam's have been at the location for over 20 years. The current lease with Bradnam's was for the period 25 February 2009 – 13 September 2023 with an option for 5 years. In July 2020, the lease was renegotiated to run from July 2020 to June 2031 (10.9 years). The new lease is on a net rent structure which results in the tenant bearing the recent increases in Queensland Government statutory imposts. The new lease is structured whereby the tenant receives a rental abatement to bring net rent closer to market levels, with the vendor assuming the costs of the rental abatements as follows:

- July 2020 to 13 September 2023: Net passing rent of $2.7M p.a., increasing at the greater of 3.0% or the Brisbane CPI, on 16 June 2021, 16 June 2022 and 16 June 2023.
    - Rental Abatement: During the period 15 March 2021 – 13 September 2023 the vendor has agreed rental abatements of $1,770,200 with the tenant, which effectively reduces the net rental income for the Fund to around market levels. As part of the sale transaction to the Fund, the vendor has agreed to pay the Fund $1,770,200 in order to increase the net rental to above-market levels for this period of time.
- From 14 September 2023: Net passing rent is reset to $2.25M p.a., increasing by a fixed 3.0% p.a. each September until expiry.

Based on these lease terms, Core Property estimates the net rental income will be around $2.5M in 6 years, returning to around $2.7M at the end of the lease term in 2031.

2-8 Titanium Court, Crestmead QLD (19.9% of gross income) is fully leased to Interalloy Pty Ltd (Vulcan Steel) with the original lease of 15-years running from February 2011 to Jan 2026 with an option for 5-years. Subsequent to the extension of the property in 2013, the lease was extended by a further 5-years with a new expiry in January 2031 with the option increased to 2 x 5-year periods. The lease is on a net basis with passing rent of $0.9M p.a. being above the valuer's market rent of $0.6M p.a. to take into account the costs of the extension. The lease is subject to fixed annual increases of 3.50% p.a. with market review at expiry in 2031.

Vulcan Steel is a privately owned steel distribution and processing company operating in Australia and New Zealand. The company occupies 30 different sites, offering carbon and stainless steel distribution, coil processing and plate processing.

68-70 Kapara Road, Gillman SA (17.1% of gross income) is fully leased to ACFS Logistics on a new 4-year lease from July 2020 – June 2024 with 2 x 5 year options to extend. The property is located adjacent to a larger site for ACFS providing its container logistics facilities in the Port Adelaide region. The property backs on to and interconnects with ACFS' larger site in Gillman, which has undergone expansion over the past few years with the acquisition of, Kerry Logistics, the vendor of the property.

ACFS is the largest privately owned national port operator specialising in container logistics in Australia. The company operates a network of prime port-side facilities across Sydney, Melbourne, Brisbane, Adelaide and Fremantle employing over 1,200 staff. Founded in 2005, ACFS are one of only two major container logistics providers in Australia with revenues in excess of $270M p.a. The lease is on a net basis with net passing rent of $0.7M p.a. being in line with the valuer's assumptions.

A summary of the portfolio tenancies is provided in the following table.

Figure 15: Portfolio Tenant Summary

Location, Tenant	Gross Lettable Area (sqm)	Lease Period	Options	Net passing rent (p.a.)	Net market rent (p.a.) – valuer's assumptions	Rent Review
136 Zillmere Road, Boondall QLD – **Bradnam's Windows and Doors**	16,048	10.9 years (July 2020–June 2031)	3 x 5 years	$2.7M	$2.2M	Greater of 3.0% or Brisbane CPI on 16 June 2021 and 16 June 2022, then reset to $2.25M on 14 Sept 2023 and fixed 3.0% p.a. in Sept each following year.
2-8 Titanium Court, Crestmead QLD – **Vulcan Steel (Interalloy Pty Ltd)**	4,978	20 years (extended) (Feb 2011 – Jan 2031	2 x 5 years	$0.9M	$0.6M	Fixed 3.5% p.a
68-70 Kapara Road, Gillman SA – **ACFS Port Logistics**	7,187	4 years (July 2020 – July 2024)	2 x 5 years	$0.7M	$0.7M	Fixed 3.0% p.a.
Total	**28,213**			**$4.3M**	**$3.5M**	

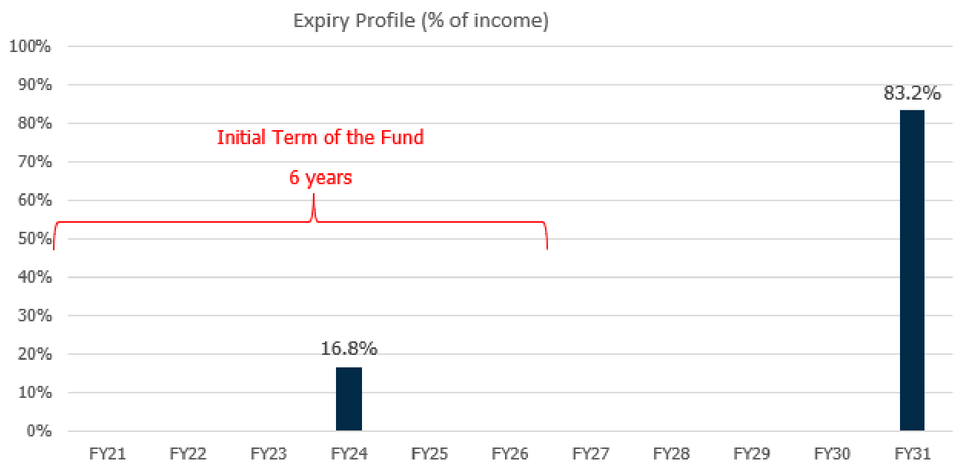
Source: Savills, Knight Frank

The properties all have bank guarantees in place as follows.

- 136 Zillmere Road, Boondall QLD – Bradnam's Windows and Doors – 6 months
- 2-8 Titanium Court, Crestmead QLD – Vulcan Steel – 3 months
- 68-70 Kapara Road, Gillman SA – ACFS Logistics – 6 months

The figure below represents the Fund's weighted average lease expiry by income.

Figure 16: Property lease expiry (by income)



Source: Core Property

Market Sales Evidence

The table below is a summary of comparable sales transactions for the properties, as provided in the independent valuation reports. Core Property notes that on average the properties are being acquired at rates at the high end of comparable prices per sqm, after adjusting for outlier sales transactions.

Figure 17: Comparable sales transactions

Location	Acquisition Price per sqm		Passing Initial Yield		Unlevered IRR	
	Property	Sales Evidence	Property	Sales Evidence	Property	Sales Evidence
136 Zillmere Road, Boondall QLD	$2,468	$2,072- $2,322[1]	6.78%	5.02% – 6.48%	6.62%	6.10% - 6.84%
2-8 Titanium Court, Crestmead QLD	$2,491	$1,908 - $2,401	7.12%	5.86% - 6.86%	6.65%	6.34%- 6.96%
68-70 Kapara Road, Gillman SA	$1,461	$807 - $3,291[2]	6.79%	5.88% - 8.01%	7.11%	6.02% - 8.62%

Note 1: Range is $2,072 - $4,501 per sqm, including one "outlier" transaction. Note 2: Range is $807 - $5,674 per sqm, including one "outlier" transaction. Source: Savills, Knight Frank

Market Rental Evidence

The following is a summary of comparable industrial rentals as provided by the independent valuers. Core Property notes the Boondall QLD and Crestmead QLD properties are currently on higher rents than the market, with the valuers accounting for rent reversions in their assumptions. The Gillman SA property is considered to be rented at a market level by the independent valuer.

Figure 18: Comparable rental evidence

Location, Tenant	Net Passing Rent (per sqm)	Net Market Rent (per sqm) – as per Valuer	Transactions
136 Zillmere Road, Boondall QLD – Bradnam's Windows and Doors	$167	$135	Based on 8 comparable lease transactions provided by the valuer
2-8 Titanium Court, Crestmead QLD – Vulcan Steel	$171	$116	Based on 6 comparable lease transactions provided by the valuer
68-70 Kapara Road, Gillman SA – ACFS Port Logistics	$99	$99	Based on 7 comparable lease transactions provided by the valuer

Source: Savills, Knight Frank

Capex

The Manager is budgeting around $0.8M of additional capital expenditure across the properties over six years. The amount is in line with the independent valuation reports which have made annual sinking fund allowances as well as allowances for expiring leases. The capex is expected to be funded through additional debt.

Financial Analysis

Core Property has reviewed the financial forecasts by the Manager as provided in the PDS. The key observations are:

- The Manager's forecasts are based on the properties being owned by the Holding Trust with the Fund acquiring 100% of the units in Holding Trust.
- Assumes debt is held in the Fund, with security over the units in the Holding Trust.
- Forecasts assume a 6.00% p.a. (annualised) distribution for the 4-month period 1 March 2021 – 30 June 2021 (FY21), increasing to 6.25% for FY22.
- Based on the Manager's assumptions, Core Property estimates the Fund can steadily increase distributions to 7.8% p.a. by FY27.
- The forecast balance sheet includes a provision for $1.8M of rental abatements for the period 15 March 2021 to 13 September 2023 for the Boondall QLD asset. The vendor has agreed to fund the rental abatements via a cash payment to the Fund.

A summary of the Manager's forecasts from the PDS is presented below.

Figure 19: Profit & Loss Forecast

Profit & Loss - Forecast $M	**FY21 4 months (1 Mar 21 – 30 Jun 21)**	**FY22**
Holding Trusts		
Gross Property Income	**1.7**	**5.1**
Property Outgoings	-0.3	-0.8
Net Operating Income	**1.4**	**4.3**
Straight Lining of Rental Income	-0.1	-0.3
Distributable Funds	**1.3**	**4.0**
Centuria Industrial Income Fund No.1		
Trust Income	**1.3**	**4.0**
Fund Expenses	-0.2	-0.6
Net Operating Income	**1.1**	**3.4**
Interest on Debt Facility	-0.2	-0.6
Undistributed Income	-0.1	-0.3
Net Distributions to Investors	**0.8**	**2.5**
Annualised Return on Cash Distributions	6.00%	6.25%
Estimated Tax Deferral	65.0%	35.0%

Source: Centuria

Figure 20: Pro forma balance sheet on settlement

Balance Sheet – $M	**1 March 2021 Pro forma**
Holding Trust	
Properties	62.5
Less: Adjustment of valuation for outstanding rental abatements	-1.8
Total Assets	**60.7**
Liabilities	-
Total Liabilities	**-**
Net Assets of Holding Trust	**60.7**
Centuria Industrial Income Fund No.1	
Units in Holding Trust	60.7
Cash	0.1
Cash provided for outstanding rental abatements	1.8
Total Assets	**62.6**
Borrowings	28.1
Capitalised Borrowing Costs	-0.3
Total Liabilities	**27.8**
Net Assets attributable to Investors	**34.7**
Units on Issue	39.7
NTA per Unit	$0.87
Loan to Valuation Ratio (LVR)	46.3%
Gearing (total liabilities/ total assets)	45.0%

Source: Core Property.

Initial NTA

The starting NTA is an important consideration. It should be assessed in the context of statutory costs and fees paid to the Manager, which dilute investors' return over the term of the Fund. Core Property has calculated the initial NTA of the Fund at $0.87 per unit, with most of the dilution coming from acquisition costs.

Figure 21: Initial NTA

Amount per unit	**$ per unit**
Issue Price	$1.00
Less:	
Acquisition Costs (Stamp Duty)	-$0.08
Acquisition Fee	-$0.03
Debt & Fund Establishment Costs	-$0.02
NTA per unit	**$0.87**

Source: Core Property

Expected Future Performance (IRR Sensitivity)

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

Core Property has estimated the total return from the Fund based on the Manager's assumptions and assuming market rent reversions.

Using these assumptions Core Property expects the Fund to deliver an Internal Rate of Return (IRR) in the range of 5.7% - 9.8% p.a. (midpoint 7.7%). The calculation is based on the Manager's forecasts and assumes a +/- 50bps movement in the terminal capitalisation rate and interest rates. The calculations assume an average all-in cost of debt of 2.1% p.a. fixed for the first three years of the Fund, increasing to 2.6% p.a. fixed thereafter.

Investors should be aware the sensitivities include the potential for the valuation of the assets to increase or decrease (depending on market conditions) which will result in either a capital gain or loss for investors.

Figure 22: Pre-tax, 6.0-year IRR (after fees) sensitivity analysis – Manager's assumptions

Terminal cap rate	IRR based on Cost of debt (2.1% p.a fixed for 3 years, then 2.6% p.a. fixed thereafter)
5.47%	9.8%
5.72%	8.7%
5.97% (base)	**7.7%**
6.22%	6.7%
6.47%	5.7%

Source: Core Property

Management & Corporate Governance

The Manager, Centuria Property Funds Limited ("CPFL") is a wholly owned subsidiary of the ASX listed-Centuria Capital Limited (ASX: CNI). CPFL, formerly Century Funds Management, was formed in 1999 with a specific focus on the purchasing of high quality, growth oriented commercial property investments.

Core Property has reviewed the composition of the RE Board and senior executive team and consider it has the relevant skills and experience to operate the Fund successfully. Core Property notes the Board of the RE consists entirely of independent non-executive directors which provides a higher level of corporate governance.

Figure 23: The Board of the Responsible Entity

Name & Role	Experience
Peter Done **Non-Executive Chairman**	Peter joined the Centuria Capital Group Board as an Independent Non- Executive Director in November 2007. He is also Chairman of Centuria Capital Group's Audit, Risk Management and Compliance Committee. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles. Peter hails from a 38-year career at KPMG. From 1979, he held the position of Partner until his retirement in 2006. During his 27 years as Partner, Peter was the lead audit partner for many clients, including those involved in property development, primary production and television and film production and distribution. Peter holds a Bachelor of Commerce (Accounting) from the University of New South Wales and is a Fellow of Chartered Accountants Australia and New Zealand.
Nicholas Collishaw **Non-Executive Director**	Nicholas has been a Non-Executive Director of Centuria Capital Group since October 2017. Previously he was Centuria Capital's CEO of Listed Property Funds, joining in May 2013. Nicholas brings to the Boards more than 30 years' experience across domestic and international real estate and investment markets. Between 2005 and 2012, he was Mirvac Group's CEO and Managing Director, responsible for successfully guiding the real estate development and investment company through the Global Financial Crisis and implementing sustained growth strategies. Nicholas has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He has extensive experience in all major real estate markets in Australia and investment markets in the United States, United Kingdom and the Middle East. Nicholas is currently Executive Director and Co-Founder of Lincoln Place, an Australian funds manager specialising in the retirement sector, as well as Chairman of Redcape Hotel Group
Mathew Hardy **Non-Executive Director**	Matthew has been an Independent Non-Executive Director of Centuria Property Funds Limited (CPFL) since July 2013. He is also Chairman of CPFL's Audit, Risk Management and Compliance Committee. He brings more than 30 years, senior-level experience across direct real estate, equities and funds management to the Board. His career spans UK and Australian markets in direct property valuation and consultancy for global companies including Richard Ellis (now CBRE) and Jones Lang Wootton (now JLL). Previous roles include Hambros Equities' senior REIT analyst and Barclays Global Investors' Head of Property and Director of Property Investments, where he managed property securities funds as well as Listed and Wholesale property funds. Since 2002, Matthew has been a founding Director of real estate specialist executive search and consultancy, Conari Partners, and its corporate predecessor, Thomas Hardy. Prior to assuming his current Board positions, Matthew was General Manager to the Mirvac-managed, listed REIT, Capital Property Trust. He was also Mirvac Fund Management's Head of Investments and Developments where he drove strategy and new business development. After leaving his executive position at Mirvac, Matthew served as a Nonexecutive Director of Mirvac Funds Management. He is a member of the Royal Institution of Chartered Surveyors (RICS) and the Australian Institute of Company Directors (AICD). Matthew holds a Bachelor of Science (Urban Estate Surveying) from Nottingham Trent University. Matthew is also an Independent Non-Executive Director of Centuria Healthcare Asset Management Limited.
Darren Collins **Non-Executive Director**	Darren has been an Independent Non-Executive Director of Centuria Property Funds Limited (CPFL) since March 2015. He is also a member of CPFL's Audit, Risk Management and Compliance Committee. He brings extensive accounting, audit and financial management experience to the Board having been the lead financial executive for businesses operating in Asia, Australia and the United States of America. He has a strong background in corporate governance and regulation for listed companies. Between 1997 and 2013, Darren was Computer Sciences Corporation (CSC)'s Vice President of Finance and Administration of several operating divisions. From 2004 to 2009, he was also a non-executive director of three IT services companies listed on the stock exchanges of Singapore, Hong Kong and Kuala Lumpur, respectively. Darren holds a Bachelor of Commerce (Accounting) from the University of New South Wales and is an associate of Chartered Accountants Australia and New Zealand.

Figure 24: Management Team

Name & Role	Experience
John McBain **Joint CEO**	John joined the Centuria Board (formerly Over Fifty Group) on 10 July 2006. He was appointed as Chief Executive Officer of the Over Fifty Group in April 2008. John was also a founding director and major shareholder in boutique funds manager Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006. Prior to forming Century, John founded property funds manager Waltus Investments Australia Limited and Hanover Group Pty Limited a specialized property consultancy. Waltus was formed in 1995 and was one of the first dedicated property funds managers in Australia. Prior to 1990 John held senior positions in a number of property development and property investment companies in Australia, New Zealand and the United Kingdom. John holds a Diploma in Urban Valuation (University of Auckland).
Jason Huljich **Joint CEO**	Jason became the Centuria Group Joint CEO in June 2019 after previously leading Centuria's Real Estate and Funds Management business. Jason was also a founding director and major shareholder in boutique funds manager Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006. He is an Executive Director of Centuria Capital Group. In his role he is responsible for providing strategic leadership and ensuring the effective operation of Centuria's real estate portfolio and funds management operations. Jason has extensive experience in the commercial property sector, with specialist skills in property investment and funds management. He is also a past President of the Property Funds Association (PFA), which represents the $125 billion direct property investment body in Australia, and continues to serve on their national executive. Jason holds a Bachelor of Commerce (Commercial Law) from the University of Auckland, New Zealand.
Ross Lees **Head of Funds Management**	Ross Lees is the Head of Centuria's Real Estate Funds Management business, which is responsible for both listed and unlisted property funds in the office, industrial & healthcare sectors. This includes Australia's largest ASX listed pure play office & industrial REITs (ASX:COF & ASX:CIP), an open ended unlisted diversified property fund as well as 22 unlisted funds with AUM of >$6 billion. Ross was previously the Fund Mangager, Centuria Industrial REIT (ASX:CIP), with overall responsibility for the operation, performance and strategy of the REIT. Ross joined Centuria in 2017 and has over 15 years of industrial investment management experience having joined Centuria from Dexus where he held senior transactional and portfolio management roles. Prior experience includes over six years at Stockland, and four years at Logos Property Australia having established and led their asset management platform. Ross holds a Master of Applied Finance from Macquarie University and Bachelor of Business (Property Economics) from UWS.
Victor Georos **Head of Portfolio & Asset Management**	Victor joined Centuria as Senior Portfolio Manager in April 2013 and was appointed Head of Portfolio and Asset Management in July 2015. In his role he is responsible for overseeing portfolio and asset management of Centuria's property portfolio, including the development and implementation of strategies to enhance value through active asset management and development. Victor works closely with the Funds Management and the Development teams. In addition, Victor manages Centuria Property Funds' valuation program and is actively involved with the constant review of best practice policies and procedures. Victor has extensive experience in asset and investment management, development and funds management across the office, retail and industrial sectors, with a key focus on results and building high-performance teams across all sectors. Prior to joining Centuria, Victor held senior positions with GPT Group and Lend Lease, including Head of Industrial and Business Parks at GPT.
Stuart Wilton **Fund Manager**	Stuart joined Centuria in May 2010 and was appointed Fund Manager in July 2017. Overseeing all operations of nine unlisted property funds, he is responsible for the fund establishment, performance, reporting and investor relations of assets in excess of $870 million. The role also involves working extensively with the property team to develop and implement fund strategies, as well as liaise with financiers to secure and renew fund debt facilities where required. Stuart previously held several key positions in the Centuria asset management division, most recently Portfolio Manager and was primarily responsible for the proactive and efficient management of Centuria's property portfolio across both the Centuria Office REIT, Centuria Industrial REIT and the various unlisted property funds. Furthermore, along with the Transactions team, Stuart was responsible for administering asset disposals and completing the due diligence process for proposed acquisitions. Prior to joining Centuria, Stuart worked for Potomac Realty Capital in Boston, a specialist real estate finance company focused on structured financial solutions and permanent real estate loans for all commercial property types. During his two years as a Capital Markets Analyst, Stuart was involved in closing approximately $500 million worth of transactions across all sectors.
Andrew Essey **Head of Transactions**	Andrew Essey joined Centuria Property Funds in February 2013 as National Leasing Manager, Andrew was appointed Fund Manager in November 2015, and transitioned to the role of Head of Transactions in July 2017. As Head of Transactions, he is responsible for originating and managing the Group's property transactions and oversight of the Group's acquisitions team. Prior to joining Centuria, Andrew worked for DTZ in Sydney's North Shore Agency from 2007, most recently holding the position of Director. While at DTZ, Andrew's focus was on leasing and sales within Sydney's North Shore industrial and office park markets. During his nearly 6 years with DTZ, Andrew was directly involved in over 180 transactions while representing both institutional and private investors.

Ben Harrop Head of Distribution	Ben leads a team of professionals who proactively distribute, service and support Investors and advisers. His team manages the servicing of Centuria's unlisted property funds, the diversified property fund as well as Centuria Life investment bonds. Ben has spent 25 years in wealth management in various senior leadership positions. Ben brings broad market experience across the full advice and product spectrum. Prior to joining the Centuria Group, Ben worked at ANZ Wealth as Head of Strategic Accounts Management and managed the distribution and research of investment, platform, private client and insurance solutions at firms such as AMP Capital, Zurich, Bankers Trust and Macquarie Bank. Ben commenced his career working in his family insurance broking business. Ben is a Senior Associate with FINSIA (the Financial Services Institute of Australasia), and an active member of industry associations having been a judge for the AFA Rising Star of the year award.

Source: Centuria

Compliance and Governance

The Fund's compliance committee comprises of the three independent members of the board of Centuria Property Funds (Peter Done, Mathew Hardy and Darren Collins).

ASIC Regulatory Guide 46 "Unlisted property schemes: Improving disclosure for retail investors" and Regulatory Guide 198 "Unlisted disclosing entities: continuous disclosure obligations" describe ASIC's preferred benchmarks and principles.

Core Property has reviewed the PDS in reference to the six benchmarks and eight disclosure principles recommended by RG46. The PDS adheres to all but one of the ASIC guidelines. The guideline that it does not adhere to involves the payment of distributions from cash from operations and the Manager intends to pay a small portion of distributions from capital as a result of the impact of an adjustment for outstanding tenant incentives.

Removal of the RE

The RE can be removed and replaced with another appropriately licensed responsible entity if investors pass an extraordinary resolution to that effect at a properly convened meeting of investors. If such a resolution is successful (requiring 35% of all units on issue and 50% of all units voted to approve), the RE will be entitled to recover any deferred fees. The RE will not be eligible to receive exit fees if removed prior to the completion of the Fund. Core Property notes that this is a strong feature of the Fund and is better than industry norms.

Conflicts of Interests and Related Party Transactions

Centuria maintains a written policy on related party transactions, including the assessment and approval processes to manage any conflicts of interests. The policy is in compliance with ASIC's Disclosure Principles and Benchmarks set out in RG46.

The PDS also sets out a number of related party transactions that are currently expected by the Fund:

- Centuria Capital has provided an unsecured loan to the Fund of $3.925M to finance the deposits payable for the Fund's 100% interest in the Properties, as well as security to lock in the three-year interest rate swap under the Fund's proposed debt facility. Interest is charged at 10.0% p.a. and is forecast to be $111,836. This is a related party transaction which was undertaken in compliance with Centuria's Conflicts of Interests policy. If the Offer is not fully subscribed and the Properties are not acquired, then Centuria Capital, not Investors, will meet the cost of forfeiting the deposits.
- On behalf of the Fund, the Holding Trust may engage Centuria Property Services to provide property management, facilities management, development management and leasing services to the Holding Trusts in respect of the Properties. If Centuria Property Services is appointed to provide these services, then it will be paid an amount no higher than what is currently paid to the existing provider and will be undertaken in compliance with Centuria's Conflicts of Interests Policy and in compliance with ASIC Regulatory Guide 46.
- The Holding Trust is acquiring the property located at 136 Zillmere Road, Boondall QLD from a related party of the Manager, the Centuria Industrial REIT (ASX: CIP). The transaction was undertaken via an off-market process with an independent valuation undertaken in November 2020. Core Property has reviewed the documentation of the process and considers the documentation to reflect an appropriate level of independence in compliance with Centuria's Conflicts of Interests Policy.

Past Performance

Centuria Syndicate Performance

The Manager has advised that, since 1999, Centuria Capital Limited has completed 44 funds at a weighted average total return of 16.8% and an average total return of 15.3%.

Readers should note that that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

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