Core Property
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Unlisted Property Fund Report

Centuria Heathley Direct Medical Fund No.2

September 2019

Healthcare property fund with diversified portfolio targeting 6.6%+ distributions

Centuria Heathley Direct Medical Fund No.2

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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For further information, please refer to the Disclaimer & Disclosure notice at the end of this document.

Centuria Heathley Direct Medical Fund No.2

September 2019

The Centuria Heathley Direct Medical Fund No.2 ("the Fund") is an unlisted property fund which provides investors with access to a diversified portfolio of Australian medical/healthcare properties. The Fund's Responsible Entity and Manager, Centuria Heathley Asset Management Limited ("the RE" or "the Manager"), has extensive experience in property management and a track record with past syndicates. The Manager's capabilities were recently bolstered with Centuria Capital Limited (ASX: CNI) acquiring a 63% interest in the Manager, increasing its resources and network.

The Fund has an initial term of seven years from June 2017 to June 2024. During the first 2.5 year "Investment Period" the Manager will offer investors the opportunity to subscribe for new units in the Fund based on a monthly Issue Price ("the Offer"). The Funds raised under the Offer will be used to support the acquisition of properties for the investment portfolio. The Manager intends to complete the acquisitions by December 2019 and move into a 4.5 year "Portfolio Management Period" whereby the properties will be managed through to the end of the Fund term. The Fund also has a Wholesale Offer for an off-market transfer of units from an institutional investor, with separately agreed terms.

The healthcare sector provides an attractive risk/return profile with stable tenancies, allowing investors to invest in a non-discretionary driven market. Currently the Fund owns 15 assets located in QLD, NSW and WA, valued at $273.2M and is targeting to increase this to around $300M by December 2019. The portfolio has a strong occupancy level of 99.7% (including rental guarantees covering 5.5% of income) and a WALE of 7.9 years supported by secure healthcare tenancies. The Fund's investment mandate targets medical/healthcare properties valued between $4M and $20M with occupancy levels above 90% and lease expiries above 5 years.

Core Property estimates the Fund's current LVR of 59.5% will reduce to around 50% as the proceeds of the capital raising are used to pay down debt (assuming $42.2M of new capital is issued in FY20). The Fund's LVR bank covenant is 70% until 31 October 2019 and thereafter reduces to 65%. The Fund has three tranches of debt and the Manager is currently considering options to extend or restructure the debt by 31 December 2019 when two tranches mature. At completion of the development opportunities the current ICR of 2.1x is above the current covenant of 1.75x (the LVR covenant increases to 2.0x on 31 December 2019).

The Manager is forecasting distributions of 6.76 – 6.95 cents per unit for FY20 and FY21, equivalent to a 6.6% - 6.7% p.a. yield on the current $1.0316 Issue Price. Fees charged by the Fund are at the low end of what Core Property has seen in the industry, based on the expected returns of the Fund (see Figure 5: Fees in Perspective). Core Property estimates the pre-tax equity IRR to be between 5.7% - 11.3% p.a. (midpoint 8.4%) over the initial term, based on the current portfolio (see Financial Analysis section). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions. Core Property is unable to assess the impact of any additional acquisitions or disposals that may impact the Fund over its term.

Investor suitability

The Fund's expected portfolio has robust metrics and Core Property expects the income profile to be stable. Total returns will ultimately depend on the sale prices the Fund can achieve for its assets. In Core Property's opinion, the Fund would suit investors who seek a highly secure income yield. Investors must be comfortable with the risks associated with a geared vehicle backed by healthcare assets located across Australia. The Fund would be best suited as part of an overall diversified property portfolio. As it is closed-ended, investors must be prepared to remain fully invested up to the expiry of the Initial Term in June 2024.

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:	20 September 2019
Offer Close:	27 December 2019[1]
Min. Investment:	$50,000[2], multiples of $5,000 thereafter
Issue Price:	$1.0316 (31 August 2019)
NTA:	$0.8560 (31 August 2019)
Liquidity:	Illiquid
FY20 Forecast Distributions:	6.76 cpu
FY21 Forecast Distributions:	6.95 cpu
Distribution Frequency:	Quarterly, in arrears
Investment Period:	Estimated to June 2024[3]

Note 1: The Manager may close the Offer early if the Fund is fully subscribed.
Note 2: The Manager reserves the right to accept lower amounts or vary the investment amount
Note 3: Consisting of an Investment Period of up to 2.5 years and a Portfolio Management Period of up to 4.5 years, expiring in June 2024. The Fund may wind up earlier if the properties are sold prior.

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Note: This report is based on the Centuria Heathley Direct Medical Fund No.2 Product Disclosure Statement dated 20 September 2019, together with other information provided by Centuria Heathley Asset Management Limited.

Key Considerations

Management: An experienced fund manager with a track record of managing healthcare property funds. Management resources and expertise was further strengthened in September 2019 with Centuria Capital Limited (ASX: CNI) acquiring a 63% interest in the Manager.

Fund Structure: The Fund was established in June 2017 with an initial term of seven years. During an initial Investment Period of 2.5 years (to December 2019) the Fund will acquire properties which are then managed through a Portfolio Management Period of 4.5 years (to June 2024).

Issue Price: Units are currently issued at an Offer Price of $1.0316 (at 31 August 2019) which includes an allocation of acquisition costs for new investors. The Fund also has a Wholesale Offer for investors, with separately agreed terms. Net tangible asset value is $0.8560 per unit.

Healthcare Sector Metrics: The healthcare sector is considered non-discretionary providing investors with an attractive risk/return characteristic supported by strong tenant fundamentals for property investors. This sector represents about 10% of Australia's GDP with expected growth underpinned by a thematic of an ageing population and a shift towards preventative care.

Diversified Portfolio of Medical Assets: The Fund currently holds 15 medical/healthcare properties valued at $273.2M and is looking to acquire additional properties to reach $300M by December 2019. The portfolio metrics are attractive with 99.7% occupancy levels (including 5.5% of income from rental guarantees) and portfolio WALE of 7.9 years supported by stable healthcare tenancies.

Debt Profile: The Fund currently has a $165.3M debt facility with $81.6M expiring in December 2019 and $83.7M in October 2020. The Manager has indicated that the capital raised will be used to reduce LVR from its current level of 59.5% to around 50% by 31 December 2019 and is currently considering options to extend or restructure its debt facilities. The Fund has a target LVR of 45% and a bank LVR covenant of 70% (reducing to 65% after 31 October 2019). The ICR is forecast at between 2.1x – 3.9x, above the bank ICR covenant of 1.75x (which increases to 2.0x in December 2019).

Distributions: The RE is forecasting distributions of 6.76 – 6.95 cents per unit over the next two years, equivalent to a 6.6% - 6.7% p.a. distribution yield based on the 31 August 2019 Issue Price.

Fee Structure: Fees charged by the Fund are at the low end what has been seen in the industry, based on the expected returns from the Fund (see Figure 5: Fees in Perspective).

Total return profile: Core Property estimates the pre-tax equity IRR to be between 5.7% - 11.3% p.a. (midpoint 8.4%) over the remaining length of the term, based on the Fund's sensitivities to debt and capitalisation rates (see the *Financial Analysis* section for more details). Investors may receive a potential capital gain or loss, depending on market conditions.

Related Party Transactions: The Manager has a two-year agreement which allows its investors to elect to purchase an interest in any new property sourced by the Manager, provided the property is in excess of $20M and meets certain requirements. This agreement expires on 3 September 2021 and Core Property expects this will have minimal impact on the Fund's ability to source additional transactions, given that the Fund is close to being fully invested by December 2019.

Illiquid investment: Investors must accept that by their very nature, unlisted property funds are illiquid. The Manager does not intend to provide a Withdrawal Facility and investors should be willing to remain fully invested up to the expiry of the Initial Term in June 2024.

Investment Scorecard

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

Key Metrics

Fund Structure

An unlisted property fund investing in Australian medical and healthcare properties.

Management

Experienced Australian property fund manager with a history of acquiring medical/healthcare properties. Greater representation of non-executive directors leads to a balance of decision making. Good track record on corporate governance.

Property Portfolio

No of Properties:	15
Property Valuation:	$273.2M
Property Location:	QLD, NSW, WA
Property Sector:	Medical / Healthcare
Occupancy:	99.7%[1] (includes 5.5% of income under rental guarantee)
WALE:	7.9 years[1] (by income)

1. As at 30 June 2019.

Return Profile

Forecast Distribution:	6.76 cents per unit (FY20) 6.95 cents per unit (FY21)
Distribution Frequency:	Quarterly, in arrears
Tax advantage:	FY19 – 100%[1]
Estimated Levered IRR (pre-tax, net of fees):	5.7% – 11.3% (midpoint 8.4%)
Investment Period:	Up to 5 years to June 2024

1. Forecast distributions are likely to be tax deferred and will be dependent on the timing of acquisitions.

Risk Profile

Property/Market Risk:	Capital at risk will depend on a portfolio of Australian healthcare properties. Investors will be exposed to a potential capital gain or loss, based on market conditions.
Interest Rate Movements:	Any change in the cost of borrowings may impact the distributable income of the Fund's underlying investments as well as distributions from any potential direct properties the Fund may acquire.
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand. Investors should be aware the portfolio may change over time as properties are acquired during the Investment Period and if any properties are sold.

For a more detailed list of the key risks, refer to the Risks section (Section 10) of the Product Disclosure Statement.

Fees Paid

Core Property considers the Fees to be at the low end of the industry when compared to similar products and in the context of the projected returns (see Figure 5: Fees in Perspective).

Entry Fees:	Nil
Exit Fees:	Nil
Withdrawal Fees:	Up to 4% of the withdrawal amount. The Manager will advise if it offers a Withdrawal Facility.
Acquisition Fee:	3.0% of purchase price
Property Disposal Fee:	2.0% of sale price (includes external selling fees)
Ongoing Management Fees:	1.46% p.a. of the Net Asset Value (NAV) of the Fund (equiv. to 0.65% - 0.80% of GAV on 45%- 55% LVR), consisting of: • 1.20% of NAV for Management Fees, and • 0.26% of NAV for Admin Costs & Expenses
Performance Fee:	20% of the outperformance over an equity IRR of 10.0% (pre-tax, net of fees).

Debt Metrics

Drawn Debt / Facility Limit:	$156.3M[1] / $165.3M
Loan Period:	$81.6M due Dec 2019 $83.7M due Oct 2020
LVR / Peak LVR / Loan Covenant:	59.9% / 67% / 65% (based on $42.2M equity raised to pay down debt)
ICR / Low ICR / ICR Covenant:	2.1x / 2.1x / 1.75x[2]

Note 1: Includes $16.0M of expected drawn debt in September 2019.
Note 2: Bank ICR Covenant is 1.75x and increases to 2.0x on 31 December 2019.

Legal

Offer Document:	Product Disclosure Statement, 20 September 2019
Wrapper:	Unlisted Property Fund
Responsible Entity & Manager:	Centuria Heathley Asset Management Limited (ABN 40 003 976 672, AFSL 246368)
Custodian:	Perpetual Corporate Trust Limited

Fund Overview

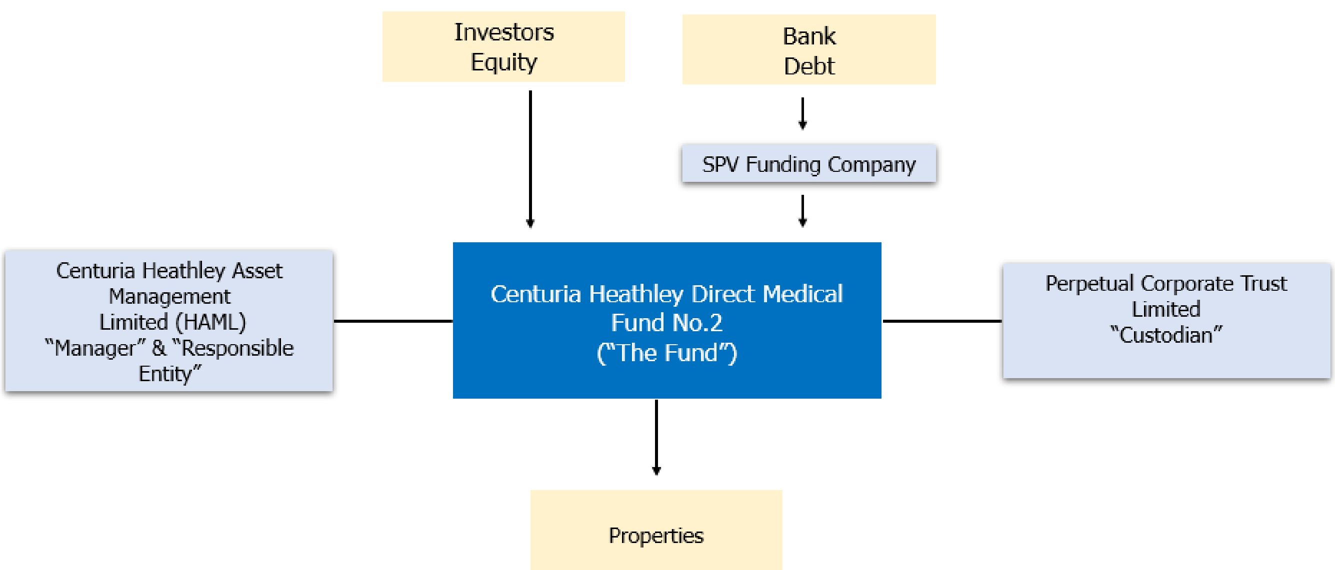
The Centuria Heathley Direct Medical Fund No.2 ("the Fund") was formed in 2017 to provide an investment in a diversified portfolio of medical properties in Australia. The Fund's Manager and Responsible Entity is Centuria Heathley Asset Management Limited ("the Manager", "the RE"). In September 2019, Centuria Capital Limited (ASX: CNI) acquired a 63% interest in the Manager and the Fund, which is expected to provide additional resources and capabilities for the Manager.

The Manager has opened the Fund to investors through the offer of new units at the prevailing monthly Issue Price ("the Offer"). Capital raised will be used by the Fund to acquire properties during its Investment Period (ending December 2019). At 31 August 2019 the Issue Price was $1.0316 per unit, and investors will be offered an investment based on the most current Issue Price which is calculated on a monthly basis and takes into account an apportionment of transaction costs for investors. The PDS assumes $42.2M will be raised under the Offer which will be used to pay down debt and assist in the development and acquisition of properties in the portfolio. The minimum investment is $50,000 with further investments in multiples of $5,000.

The Fund was established in June 2017 with an initial term of up to seven-years, expiring in June 2024. The initial Investment Period of 2.5 years (June 2017 to December 2019) allows the Fund to acquire healthcare and medical properties with a view to holding and managing the properties during a Portfolio Management Period of 4.5 years.

At the end of the initial term, investors will be asked to vote on whether to wind up the Fund or extend for a further two years. An extension beyond the additional two years will require a unanimous resolution. As such, the Fund should be considered illiquid and investors should be prepared to remain invested for a minimum period up to the expiry of the Initial Term in June 2024.

Figure 1: Fund structure



Source: Core Property, Centuria Heathley

Unit Pricing

Investors wishing to subscribe for new units in the Fund will be able to do so at the current Issue Price of $1.0316 per unit (as a 31 August 2019). The amount is higher than the Net Asset Value of $0.8560 per unit, which reflects an appropriate allocation of the properties' transaction costs to all units in the Fund. Core Property has reviewed the calculations for the Issue price and considers it to provide an equitable allocation of transaction costs of properties for new investors.

Investors should note the Issue Price is calculated on a monthly basis and new investors will be offered units based on the latest Issue Price.

History of the Fund

The Fund was established in June 2017 with an initial term of seven years and originally targeted a portfolio of $150M in properties. The original Investment Period was expected to be 2-years with a Portfolio Management period of 5-years however this was recently adjusted to an Investment Period of 2.5 years and a Portfolio Management Period of 4.5-years.

Figure 2: History of the Fund

Year	
2017	The Fund was established in June 2017 with 2 seed properties: 332-342 Old Cleveland Rd, Coorparoo QLD and Part of 2-24 Waldron St, Yarrabilba QLD
	The Fund acquires 4 further properties: 9 Ashgrove Avenue, Ashgrove, QLD (a development site acquired in a JV with developer), 18 Prowse Street, West Perth, WA, 401-409 Milton Road, Auchenflower, QLD and 16-24 Weippin Street, Cleveland, QLD
2018	The Fund acquires 5 further properties: 56 Rosemont Street, Wollongong, NSW, 11-19 Riverview Place, Murrarrie Brisbane QLD, 375A/377 Concord Road, Concord West, Sydney NSW (development opportunity) and 60-62 Dalton Drive, Maroochydore QLD
	The Fund sells the Ashgrove QLD property to the developer under the terms of the joint venture.
	The Manager proposes the Fund to consolidate with other Heathley property funds and considers an ASX listing, however the proposal did not proceed due to uncertain market conditions.
2019	The Fund acquires 6 further properties: 2 – 6 Meurant Lane, Wagga Wagga NSW, 4 Baker Court West Albury NSW, Lot 312, 47-51 Cockburn Mira Mar WA, and Lots 7 & 8 956 Gympie Road Chermside QLD. 100 Murdoch Drive, Murdoch WA and 42-44 Ord St, West Perth WA are under construction as at 30 June 2019.
	Centuria Capital Limited (ASX: CNI), an ASX listed fund manager, acquires a 63% interest in the Manager and renames the Fund the Centuria Heathley Direct Medical Fund No.2.

Source: Core Property, Centuria Heathley

Investment Strategy

The Fund's investment strategy is to achieve superior risk adjusted returns through acquiring and developing medical properties. The Fund's investment criteria is provided in the table below. The Manager has also advised that it has an agreement which allows one of its investors to elect to purchase an interest in any new property sourced by the Manager, provided the property is in excess of $20M and meets certain requirements. This agreement is for two years from August 2019 to August 2021. Core Property notes the Fund currently has $273.2M of properties and is close to its $300M target for December 2019. As such, we expect this agreement will have minimal impact on the Fund's ability to source additional transactions, given the circumstances.

Figure 3: Investment Criteria

Category	Criteria
Property Type	**Primary** – GP clinics/medical centres. **Secondary** – Day hospitals, overnight hospitals (such as mental health), specialist facilities (such as radiology, oncology, IVF), diagnostic facilities (imaging and pathology). **Tertiary** – Private hospitals. **Allied health** – such as dentist, physiotherapy, podiatry. **Ancillary** – ancillary medical service providers such as pharmacy, café, childcare, consulting suites, medical office, medi-hotels and car parks.
WALE:	> than 5 years
Occupancy:	> than 90%
Property Size	> than $4M and < than $20M. The Manager may acquire one or more properties not within this range, if it is considered to be in the best interests of the investors.
Development	The Fund may acquire greenfield and brownfield development opportunities, which will be held for the long-term by the Fund. Development opportunities will have some element of risks attached, such as not having a development approval in place or agreements for lease in place with the majority of tenants. The Manager will seek to partner with developers with established track records to deliver development opportunities and have a maximum exposure of 20% of the Fund's equity allocated to development opportunities (excluding fund-through opportunities).

Source: Centuria Heathley

Debt Facility & Metrics

The Fund has three debt facilities covering at the amounts up together $165.3M as follows:

- $83.7M expiring in October 2020
- $56.6M expiring in December 2019
- A new $25M short term facility established in August 2019, expiring in December 2019.

The Manager is currently in discussions to extend or replace the debt facility which expires in December 2019. The Manager will also need to renew or replace all the debt facilities in order provide sufficient debt for the intended full term of the Fund. The Fund is looking to reduce LVR from 59.5% (at 30 June 2019) to around 50% from the $42.2M of equity capital raised. Based on the Manager's forecasts, Core Property estimates the LVR to range between 48% - 50% thereafter, against a bank LVR Covenant of 65%. The ICR is forecast to range between 2.1x and 3.9x from 31 December 2019 onwards, above the ICR Covenant of 2.0x.

Core Property notes that the Fund has a target gearing level of 45%. The Fund has fixed the interest rate on $70M of debt from 23 April 2019 to 11 October 2022 at an all-cost of debt of 3.60% (FY20) and 3.46% (FY21). Based on the expected portfolio and the capital raised under this Offer, Core Property estimates the Fund can withstand a 25.1% reduction in the value of properties before it will breach its LVR covenant, and a 37.9% reduction in net income before it will breach its ICR covenant. The calculations are assume the full amount is raised under the Offer and used to pay down debt, and any adverse movement in the assumptions may impact on the Fund's ability to acquire its intended properties. The following is a summary of the debt metrics for the Fund. Investors should be aware that the returns of the Fund will be impacted by the Fund's ability to refinance and source appropriate debt financing over the term of the Fund.

Figure 4: Debt Metrics at 31 August 2019

Details	Metric
Bank	NAB
Security	First ranked mortgage secured against the pool of properties in the Fund
Debt Facility Limit	Tranche A: $83,651,550 Tranche B: $56,600,000 Tranche C: $25,000,000
Drawn Debt	Tranche A: $83,651,550 Tranche B: $56,600,000 Tranche C: $16,000,000 (estimated drawn in September)
Initial Loan Period	Tranche A: Expires on 19/10/2020 Tranche B: Expires on 31/12/2019 Tranche C: Expires on 31/12/2019
Effective Interest Rate	3.60% (forecast FY20) 3.46% (forecast FY21)
Current LVR	59.5%
LVR Covenant	70.0% until 31 October 2019, 65% thereafter
Peak LVR / Year	67.0% / 2019
Interest cover ratio / bank covenant	2.1x / 1.75x
Low ICR / Year	2.1x / FY19
Amount by which valuation of properties will have to fall to breach LVR covenant	25.1% (pro forma, assuming the capital raised is used to pay down debt). (8.4% based on June 2019 position)
Amount by which income will have to fall to breach ICR covenant	37.9% (pro forma, assuming the capital raised is used to pay down debt) (17.1% based on June 2019 position)

Source: Core Property, Centuria Heathley.

Liquidity / exit strategy

The Fund has an initial term of up to seven years from June 2017 to June 2024. As of June 2019, the Fund has a remaining term of five years. At the end of the initial term, investors will be asked to vote in favour of either extending the Fund for a further two-year period or winding up the Fund. Any further extensions beyond the additional two years will require unanimous approval from investors.

Investors will not have withdrawal rights during the term of the fund except where the Manager makes a withdrawal offer. However, the Manager does not intend to offer a withdrawal facility during the initial seven-year term of the Fund. If a withdrawal offer is made, the Manager will advise investors of the terms of the offer and any fees to be paid. A Withdrawal Fee of up to 4% may be applicable. Investors should view the Fund as illiquid in nature and be willing to remain invested for the minimum period up to the expiry of the Initial Term in June 2024.

Fees Charged by the Fund

The Fund charges Management Costs based on 1.46% of the Net Asset Value (NAV) of the Fund. Core Property calculates this to be equivalent to 0.65% - 0.80% of the Gross Asset Value (GAV) of the Fund (assuming an LVR of 45%- 55%) which is at the low end of what we have typically seen in the market (0.7% -1.1% of GAV).

Whilst the Property Acquisition Fee and Disposal Fee appear to be at the high end of the market, the Manager has advised that the Property Acquisition Fee takes into account the additional costs of sourcing its off-market acquisitions and the Disposal Fee is inclusive of any external agent selling costs that may be incurred.

Figure 5: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry/Establishment Fee	Nil. The Fund does not charge any Entry/Establishment Fees.	
Withdrawal Fee	If a liquidity or redemption facility is offered, the Manager will advise the applicable fee prior to the offer. The fee may be up to 4.0% of the value of the units being redeemed. A similar fee may apply for the transfer of units to another entity.	The Manager does not intend to offer a redemption facility during the initial term of the Fund.
Exit Fee	Nil. The Manager will not charge an Exit Fee at the end of the term of the Fund.	
Contribution Fee	Nil – The Fund does not charge a Contribution Fee on any increases in investment holdings. There is no fee charged to Investors wishing to change their investments options.	
Property Acquisition Fee	3.0% of the purchase price of the property.	The Acquisition Fee is above the industry average of 1.5% - 2.0%.
Property Disposal Fee	2.0% of the sale price of property.	The Disposal Fee is at the high end of the industry average of around 1.0% - 2.0%.
Ongoing Management Fees – Management Fee, Administration Costs & Expenses, Other Indirect Costs	Estimated at 1.46% of the Net Asset Value of the Fund, consisting of: • 1.20% p.a. of NAV for Management Fees • 0.26% p.a. of NAV for estimated Administration Costs and Expenses.	We estimate the Total Ongoing Management Fee to be equivalent to 0.65% - 0.80% p.a. of the Gross Asset Value (GAV) of the Fund, based on a 45% - 55% LVR. This is at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Performance Fee	20% (excluding GST) of the Fund's performance above an IRR of 10% p.a. after fees and costs.	Fee is in line with industry expectations and considered appropriate.

Source: Core Heathley, Core Property

All-in fee analysis

In the table below, Core Property analyses how much of the Fund's cash goes to the RE in fees, and how much is left over for investors as a percentage of the total Fund cash flow. The key assumptions include:

- Calculations are based on the remaining term of the fund to June 2024.
- Assumes costs are based on the current portfolio of 15 properties valued at $273.2M.
- A Disposal Fee has been included. We have assumed the Manager receives 1% of the sale price (being half of the 2% Disposal Fee) with the balance being used to pay for external selling costs, including agent selling fees.
- A Performance Fee has not been included.
- Core Property assumes there is no change in the forecast portfolio terminal cap rate of 6.09% at the end of the Initial term, which effectively assumes no cap rate compression. A lower terminal cap rate would lead to a higher sale price and hence, higher performance fees may be payable.

Overall, Core Property estimates that the Manager takes 7.2% of the total cash generated by the Fund, which leaves investors with $1.48 per unit, or approximately 92.8% of the total. Core Property considers the fees paid to the Manager to be at the lower end of the industry when compared to similar products, which are typically around 7% - 9%. Core Property stresses that these are estimates of how much investors will receive and not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 6: Fees in Perspective

Core Property estimates that for every $1.0316 of equity invested the Fund can return:	Amount per $1.0316 unit
Principal repayment to investors:	$1.0316
Income and capital gains to investors:	$0.45
Total cash to investors:	**$1.48**
Acquisition fee:	$0.05
Disposal fee:	$0.05
Base management fee:	$0.02
Fees for the RE (excluding admin costs)	**$0.12**
Total cash generated by Trust	**$1.59**
Fees = % of total cash generated (before fees)	7.2%

Source: Core Property

Healthcare Sector

The healthcare sector offers an attractive property investment proposition by way of its strong position within the economy. The sector is underpinned by key trends which influence the healthcare market, including:

- **Ageing population –** With improvements in healthcare, there has been an increase in number of Australians aged 65 years and over, which is expected to grow by around 70% over the next 15 years and drive increased demand for healthcare services. The Australian Bureau of Statistics (ABS) estimates that this age bracket spends up to 4-5x more on healthcare than the general population.
- **Growing population –** Australia's population is expected to increase to 30 million by 2029-2033 according to the ABS. This is expected to drive the demand for healthcare services, increasing patient numbers and need for additional hospital beds.
- **Preventative care focus –** With an increase in ageing population and the rise of non-communicable diseases there has been a shift from short term treatments towards preventative treatments and disease management. This has placed a significant focus towards primary and secondary healthcare facilities.

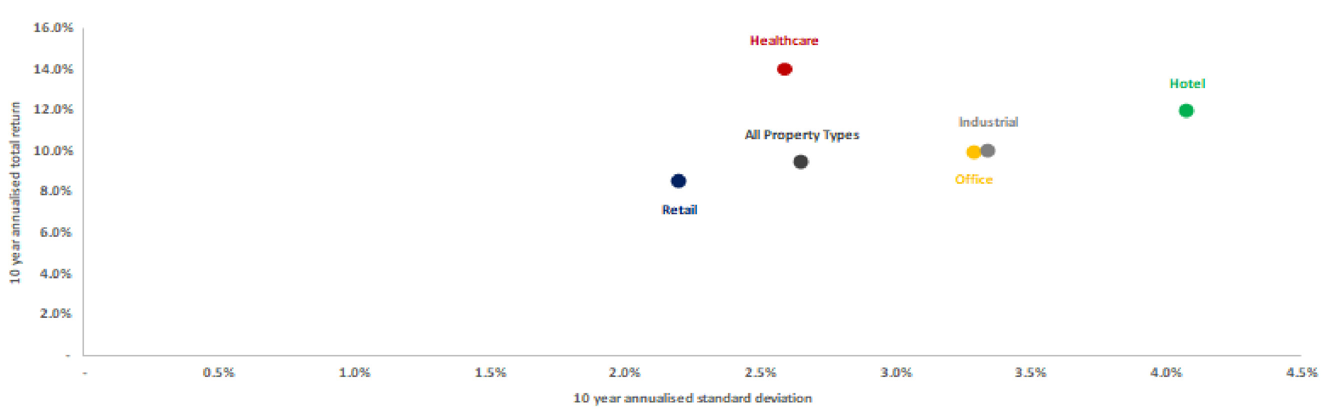
These key trends above have affected the expenditure and the overall growth of the healthcare system.

- **High GDP Expenditure –** According to the Health Expenditure Australia 2016-2017 report, Australia spent $180.7B on healthcare, representing about 10% of Australia's GDP and more than $7,400 per person. Notably, 69% of health spending is funded by the Australian Government and state and territory governments.
- **Employment growth –** The Health Care and Social Assistance industry is expected to deliver the strongest employment growth in the Australian economy with projections of 16.1% growth in the five years to May 2022. Approximately 25% of new jobs are projected to be in the healthcare industry.

Investment Rationale

- **Defensive nature of the industry –** The healthcare industry is defensive in nature and is uncorrelated to the economic cycle. Health expenditure is largely a mandatory, nondiscretionary spend.
- **Attractive risk/return characteristics –** Based on MSCI data over a 12-year period, the healthcare property sector offers the best risk-adjusted total return relative to other property sectors.
- **Stable profile of tenants –** The healthcare industry benefits from a very stable credit profile of tenancy. With business conditions and forecasts for strong growth in the industry, Core Property considers the sector to offer a low risk of default by tenants in their rental agreements. Additionally, the healthcare industry faces minimal turnover for tenants due to:
  - **Reputation:** Healthcare practitioners often build up a clientele and reputation based around their current location, so there is a low willingness to relocate
  - **Purpose built assets:** Properties are generally purpose built to suit the healthcare provider, and the cost of moving expensive machinery is often a disincentive to relocate
  - **Located in medical hubs:** Health facilities are often located in 'hubs' close to hospitals and other related services. Practitioners are less willing to move away from well situated locations unless there is a guarantee of finding alternate replacement locations.

Figure 7: Total return against Standard deviation by sector



Source: MSCI June 2019, Centuria Heathley

Property Portfolio

The Fund's portfolio currently holds 15 medical properties value at $273.2M. The portfolio enjoys favourable metrics with an average portfolio WALE of 7.9 years (excluding properties under development and in the pipeline) and strong occupancy levels of 99.7%.

Core Property notes that, whilst the Fund's strategy is to acquire properties under $20M in value, the Fund currently owns four assets which are each valued around $38M - $45M. These 4 assets currently account for around 59% of the portfolio.

The Fund has a valuation policy requiring an independent valuation if the Manager believes there is a material change in value and must be undertaken at least once every two years and prior to any acquisition. Director's valuations are undertaken every six months as part of the Fund's financial reporting.

The Manager has indicated it is currently looking at further acquisitions as part of its strategy to reach its target portfolio of $300M. The following table is a summary of the portfolio as at 30 June 2019.

Figure 8: Properties in the Fund

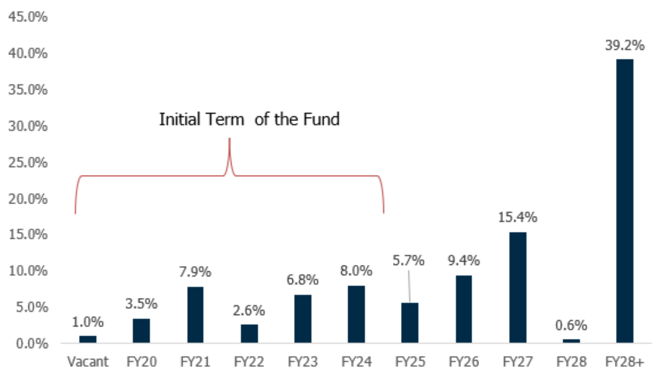
Property	Description	Acqn Date	Value	NLA sqm	Occ	Cap rate	WALE years
332-342 Old Cleveland Road, Coorparoo	X-Ray/Chemist/Clinic	Jun 17	$18.0M	1,608	96.3%	6.00%	5.2
21-31 Yarrabilba Drive, Yarrabilba QLD	GP Clinic/Chemist	Dec 17	$11.8M	1,081	100%	6.00%	11.6
18 Prowse Street, West Perth WA	Day Hospital (fund through)	Oct 17 (Aug 18 completed)	$8.6M	1,226	100%	6.25%	9.3
401-409 Milton Road, Auchenflower QLD	Eye Institute / Diagnostic	Oct 17	$40.4M	3,648	100%	6.00%	6.7
16-24 Weippin Street, Cleveland, QLD	Medical Providers	Dec 17	$38.9M	5,585	100%	6.00%	3.4
11-19 Riverview Place, Murarrie, Brisbane QLD	QML Pathology Head Office/Central laboratory	Mar 18	$44.6M	10,005	100%	5.50%	16.5
60-62 Dalton Drive, Maroochydore QLD	Primary care/Ancillary health facility (fund through)	Jun 18 (completed Jan 19)	$38.2M	6,723	100%	6.50%	4.8
375A/377 Concord Road, Concord West Sydney NSW	Development - Radiation oncology specialist centre	Sep 18 (to complete Oct 19)	$15.5M[1]	986	100%	5.75%	10.1
56 Rosemont Street, Wollongong NSW	Endoscopy clinic/Day surgery	Feb 18	$2.1M	315	100%	6.50%	5.7
2-6 Meurant Lane, Wagga Wagga NSW	Day Surgery	Dec 18	$9.6M	1,525	100%	6.00%	4.7
4 Baker Court, West Albury NSW	Day Surgery	Dec 18	$5.5M	1,107	100%	6.50%	2.3
Lot 312, 47-51 Cockburn Road, Mira Mar WA	Development – multi-purpose single level medical building	Aug 18	$3.5M[1]	641	100%	6.50%	9.9
Lot 7 & 8, 956 Gympie Road, Chermside QLD	Medical Centre within a medical facility hub	Dec 18	$11.0M	1,145	100%	6.25%	3.9
100 Murdoch Drive, Murdoch WA	Development – radiation oncology specialist centre	Jul 19 (est complete Feb 21)	$14.5M	1,737	100%	6.76%	10.8
42-44 Ord Street, West Perth WA	Day Hospital	Aug 19	$11.0M	1,668	100%	6.75%	9.3
Total Portfolio			**$273.2M**	**39,000**	**99.7%**	**6.09%**	**7.9**

Note 1: Numbers reflect completed values. Source: Centuria Heathley

Portfolio metrics

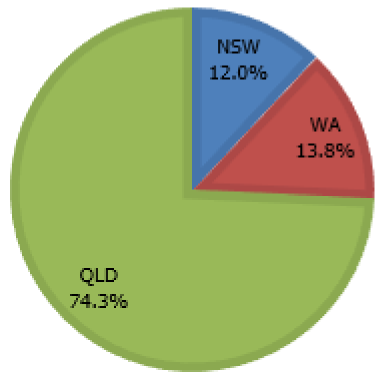
The Portfolio enjoys a diverse mixture to its income stream across multiple tenants and different states. During the initial term of the Fund there is no expiry that accounts for more than 8.5% of the portfolio's income. The assets are predominantly located in QLD (74.3%), as well as NSW (12.0%) and WA (13.8%).

Figure 9: WALE Profile



Source: Centuria Heathley, Core Property

Figure 10: Geographic diversification by value



Source: Centuria Heathley, Core Property

Rental Guarantees

Core Property notes that approximately 5.5% of income is currently covered by a rental guarantee from when the properties were acquired from the vendors. This includes:

- Maroochydore – Around 36.9% of the income from the property (or 5.5% of the portfolio) is covered by a rental guarantee until May 2021.
- Auchenflower – Around 1.3% of the income from the property (or <0.1% of the portfolio) is covered by a rental guarantee until October 2019.

Leases, tenants and income

The portfolio has a diverse mixture of tenants with a portfolio WALE of 7.9 years and the largest tenant (Healius) representing 27.0% of the portfolio (across multiple assets). A summary of the tenancies is provided in the table below.

The Manager has indicated that the upcoming lease expires in FY20 are currently in negotiations. The key upcoming lease expiry for Mater Health Services and Snap Fitness at 16-24 Weippin St, Cleveland has had their option exercised. This accounts for 38% of NLA of the asset.

Figure 11: Lease expiry Profile (by Income)

Property	Key Tenants	Expiry	% of Income
332-342 Old Cleveland Road, Coorparoo, Qld	Queensland X-Ray	August 2023	37%
	Terry White Chemist	June 2027	30%
	Coorparoo Clinic	June 2024	16%
	QML Coorparoo	August 2020	10%
	Coorparoo Podiatry	July 2024	7%
Part of 2-24 Waldron Street, Yarrabilba Qld	GP Clinic / Terry White Chemist	14.9 years	74%
	Stellarossa Cafe	9.9 years	14%
18 Prowse Street, West Perth WA	Healius	September 2028	100%
RiverCity Private Hospital, 401-409 Milton Road, Auchenflower Qld	Vision Eye Institute	August 2026	58%
	Queensland Diagnostic Imaging	August 2026	29%
	Queensland Respiratory Service	August 2022	8%
	Specialist Diagnostic Services	August 2026	2%
16-24 Weippin Street, Cleveland Qld	Mater Medical & Clinic, X Ray	August 2024, January 2020	44%
	Radiation Oncology Partners	October 2026	12%
	Snap Fitness	May 2024	7%
	Lily Hilda P/L	February 2020	7%
56 Rosemont Street & 51 Urunga Parade, Wollongong NSW	Healius	February 2025	100%
2 – 6 Meurant Lane, Wagga Wagga	Cura Day Hospitals	May 2024	100%
11-19 Riverview Place, Murarrie QLD	CML Pathology	December 2035	100%
60-62 Dalton Drive, Maroochydore QLD	Queensland Health	December 2025	60%
4 Baker Court, West Albury NSW	Albury Day Surgery	September 2021	100%
375A/377 Concord Road, Concord West Sydney NSW	GenesisCare	July 2029	100%
Lot 312/1315 Cockburn Road, Mira Mar WA	Albany Montserrat Healthcare	May 2029	100%
Lots 7 & 8, 956 Gympie Road, Chermside QLD	ICON Group	May 2023	100%
100 Murdoch Drive, Murdoch WA	Genesis Care	Mar 2030	100%
42-44 Ord Street, West Perth WA	Perth Centre	Sep 2028	100%

Source: Centuria Heathley, Core Property

The majority of assets are leased out at market rents. The assets located at Coorparoo and Chermside have above market rents whilst the assets at Yarrabilba, Murarrie and Maroochydore are below market rent. Core Property notes that only the asset at Chermside has a lease expiry before the end of the initial seven-year term The Chermside property is currently over-rented and the Manager is forecasting rents to move closer to market levels over time

Figure 12: Rent Analysis

Over/Under (%)	Gross Passing vs Gross Market	Net Passing vs Net Market
332-342 Old Cleveland Road, Coorparoo	9%	7.1%
21-31 Yarrabilba Drive, Yarrabilba	0%	-6.2%
18 Prowse Street, West Perth	0%	0.0%
401-409 Milton Road, Auchenflower	0%	0.0%
16-24 Weippin St, Cleveland	0%	0%
11-19 Riverview Place, Murarrie	-3%	-4%
Dalton Drive, Maroochydore	-1%	-2%
375A/377 Concord Road, Concord	0%	0%
56 Rosemont Street, Wollongong	0%	0%
2-6 Meurant Lane, Wagga Wagga	0%	0%
4 Baker Court, West Albury	0%	0%
Lot 312, 47-51 Cockburn Road, Mira Mar	0%	0%
Lots 7 & 8, 956 Gympie Road, Chermside	34%	33%
100 Murdoch Dr, Murdoch	0%	0%
42-44 Ord St, West Perth	0%	0%

Source: Core Property, Centuria Heathley

Development

The Manager has engaged in both development opportunities and acquisition activities in order to expand its portfolio. Of the properties that have been acquired in the Fund, 6 of the assets were fund through or development opportunities and 2 are currently due for completion with pre-committed leases.

Capex

The Manager is forecasting general maintenance capital expenditure of $0.8M across FY20 and FY21. The capex amounts are expected to be funded via working capital.

Financial Analysis

Core Property has undertaken a financial forecast of the Fund, based on the Manager's assumptions for properties currently held. Our key observations are:

- The Manager is forecasting distributions of 6.76 cents per unit in FY20 and 6.95 cents per unit in FY21, increasing to 7.74 cents per unit over the remaining term of the Fund.
- Based on the current properties and lease agreements, the Manager is forecasting average rent increases of 0.9% p.a. over the remaining five years of the Fund.
- Property is held on the Balance Sheet at cost price plus exit. The portfolio is revalued upon exit.
- Based on the Manager's assumptions in the PDS that the Fund will raise $42.2M in FY20 to fund the payment for the current development and fund-through properties and to reduce gearing.

A summary of Core Property's forecasts based on the Manager's assumptions, is presented in the table below:

Figure 13: Profit & Loss Forecast and Historical Balance Sheet

Profit & Loss - Forecast $M		**FY20**	**FY21**
Net Property Income		**15.7**	**16.9**
Other Income – Coupon Income		0.2	0.3
Management Expenses		-1.5	-1.7
Fund Expenses		-0.4	-0.4
Interest Expense		-4.9	-4.6
Adjustments, Borrowing Costs, Amortisation, Other Income		0.7	0.8
Distributable Earnings		**9.8**	**11.3**
Amount Distributed		**9.6**	**10.9**
Forecast Distribution per unit (cpu)		**6.76**	**6.95**
Balance Sheet – Historical $M	**As at 30 June 2018**	**As at 31 December 2018**	**As at 30 June 2019**
Assets			
Investment Property	178.8	231.4	251.8
Cash & Other Assets	7.5	11.5	8.6
Total Assets	**186.3**	**242.9**	**260.5**
Liabilities			
Borrowings	83.3	83.3	140.3
Other Liabilities	7.4	58.3	21.0
Total Liabilities	**90.8**	**141.8**	**161.3**
Net Assets	**95.5**	**101.2**	**99.2**
NTA per Unit	$0.8465	$0.8715	$0.8543

Source: Centuria Heathley

Expected Future Performance (IRR Sensitivity)

Core Property has estimated the total return from the Fund based on the assumptions provided by the Manager.

Using these assumptions Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 5.7% - 11.3% (midpoint 8.4%) based on a 50 bps +/- cap rate movement.

The calculations are based on the cost of debt of 3.15% p.a. with a portion of the debt ($70M) being hedged from 23 April 2019 to 11 October 2020.

The IRR calculation includes an estimate of the performance fee payable over the remaining 5 years of the Fund. Investors should be aware that this is an estimate only and the actual IRR and performance fee will also take into account further acquisitions, divestments, capital raisings as well as the historical performance of the Fund.

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

Figure 14: Pre-tax, 5-year IRR (after fees) sensitivity analysis

Terminal cap rate	Cost of debt				
	2.15%	2.65%	3.15%	3.65%	4.15%
5.59%	11.8%	11.5%	11.3%	11.0%	10.7%
5.84%	10.6%	10.3%	9.9%	9.6%	9.3%
6.09% (base)	9.2%	8.9%	**8.4%**	8.0%	7.7%
6.34%	7.8%	7.4%	7.1%	6.6%	6.2%
6.59%	6.4%	6.0%	5.7%	5.1%	4.6%

Source: Core Property

Management & Corporate Governance

Background of the Responsible Entity & Manager

The Manager was established in 1977 to provide specialized management investment services to a niche market of high net worth individuals and high-income earners. In 1990, it established Heathley Asset Management Limited (HAML) which is the Manager and the Responsible Entity (RE) of the Fund. Since 1990 HAML has acquired over $1B of commercial property across 41 property funds, the majority of which have been wound up and the properties sold. As at 30 June 2019 HAML was managing 9 property funds with total funds under management of approximately $648M.

In September 2019, Centuria Capital Limited (ASX: CNI) acquired a 63.06% interest in HAML, with voting rights of 50%, following which the name of the Manager was changed to Centuria Heathley Asset Management Limited. Core Property considers the Centuria interest to provide additional resources and capabilities for the Fund, as well as an increase in accountability through the appointment of additional Directors to the Board of the Manager.

Figure 15: The Board of the Responsible Entity & Manager

Name & Role	Experience
Peter Barnes Independent Chairman	Peter has over 40 years' experience and knowledge in the property industry including executive experience at Lend Lease, Principal at Ernst & Young Real Estate Advisory Services, Head of Property Lending at Commonwealth Bank Institutional Bank. Additionally, Peter currently holds the non-executive chairman role of Domus Multi Family REIT, Charter Hall Investment Management Limited, and Capstone Recruitment Pty Limited. Peter holds a Bachelor of Commerce from the University of New South Wales, is a fellow of the Australian Property Institute, and a member of the Property Council of Australia's Industrial Property Committee.
Eve Crestani Independent Non-Executive Director	Eve is a qualified lawyer with 28 years' experience as a non-executive director. She currently serves as the director of Australian Unity Investment Real Estate Limited, booking.com, and Chairman of Seres. Her investment experience is further supported by her past directorship of Zurich Group, Australian Unity, and role as a Chairman of Mercer Super. Eve is a fellow of Australian Institute of Company Directors.
Matthew Hardy Independent Non-Executive Director	Mathew has over 30 year's experience at a senior level in direct real estate, equities and funds management. He was a founding Director of real estate specialist Executive Search and consultancy Conari Partners. In addition, Mathew has worked as a valuer and consultant in varies global groups in the UK and Australia, and has held senior real estate positions at global institutions including Barclays Global Investors, Richard Ellis and Jones Lang Wootton. Mathew was General Manager of Mirvac managed, listed REIT, Capital Property Trust, and Head of Investments and Dveelopments for Mirvac Funds Management. Mathew has been a Non-Executive Director of Centuria Property Funds since 2013 and is a member of Centuria's Audit, Risk Management and Compliance Committee.
Nicholas Collishaw Non-Executive Director	Nicholas has over 30 years' extensive experience across all major real estate markets in Australia and investment markets in the USA, UK and the Middle East. Nicholas was appointed CEO-Listed Property Funds of Centuria in May 2013 and has served as an Executive Director within the Centuria Group from August 2013 and as Non-Executive from October 2017. Prior to this, Nicholas held the position of CEO and Managing Director at the Mirvac Group, and has held senior positions at James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. Nicholas is currently Executive Director and Co-Founder of Lincoln Place, an Australian funds manager specializing in the retirement sector.

Figure 16: Senior Management Team

Name & Role	Experience
Andrew Hemming Executive Director	Andrew has over 17 years' experience in investment markets with leading international financial institutions in Sydney and London such as HSBC and Merrill Lynch. He has worked at the Manager from 2007 and was appointed as a Managing Director in 2013. Andrew holds a Bachelor of Arts (Commerce) and Master of Business Administration from Macquarie University.
Jason Huljich Board Member – Centuria Heathley	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. 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.
John McBain Board Member – Centuria Heathley	John joined the Centuria Capital Board (formerly Over Fifty Group) on 10 July 2006 and was appointed as Chief Executive Officer in April 2008. John has built an extensive reputation over the years within the property industry. John founded property funds manager Waltus Investments Australia Limited and Hanover Group Pty Limited a specialised property consultancy and boutique funds manager. 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 investments companies in Australia, New Zealand and the United Kingdom.
Toby Kreis Head of Funds Management	Toby has over 15 years of experience in real estate funds management and advisory. Among Toby's 15 years of relevant experience, some key roles include his work as an Investment Manager for Folkestone Limited's direct property and fund investments and as an analyst for the Mirvac Industrial Trust at Mirvac. Toby holds a Bachelor of Commerce and Bachelor of Business (Management) from the University of Queensland.
Vijitha Yogavaran Fund Manager	Vijitha has over 10 years' experience across property funds management, corporate finance and management accounting. She previously held roles at Investa Property Group as a Fund Analyst and also within the Corporate Transaction division. Vijitha is a fellow of Chartered Management Accountant (ACMA, CGMA), Chartered Certified Accountant (FCCA) and is a CFA Level 3 candidate.
Nicholas Skulander Development Director	Nicholas has over 15 years' experience within the property industry of which, the past 6 years he has spent within health infrastructure. Previously, Nicholas was a senior project director at Health Infrastructure where he helped deliver the Northern beaches Hospital project as well as other agreements between the NSW Government and the private healthcare sector. Additionally, Nicholas has a strong background in property development, having experience in various property project management roles.
Camilla Brown Investment Director	Camilla joined the Manager in 2017 from Macquarie Bank in London where she gained experience in originating, structuring and executing equity capital raisings. Her industry experience also extends to the property funds at Legal and General. Camilla holds a Bachelor of Commerce (Finance and Accounting) from Sydney University and is a fellow of Chartered Certified Accountant (FCCA).
Sophie Monsour Investment Director	Prior to her role at the Manager, Sophie worked within the investment banking division at Credit Suisse in Sydney where she worked within the TMT / Sponsors team across M&A, ECM and DCM. Sophie holds a Bachelor of Commerce (Finance) and Laws (Hons) from the University of Queensland and has a graduate diploma of Legal Practice from the Australian National University.
Belinda Carter Asset Manager	Belinda has over 13 years' experience in healthcare related property and asset management., including key roles as an asset manager at Australian Unity and as property manager at CBRE. Belinda holds a Bachelor of Business (Property) from RMIT University.

Source: Centuria Heathley

Compliance with ASIC Regulatory Guide 46

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 disclosure principles. The Fund is in compliance with the ASIC RG46 guidelines which are summarized in the table below.

Figure 16: Summary of ASIC retail disclosure benchmarks - as at 30 June 2019

ASIC Benchmark	Compliant (Y/N)	Comments
1. Gearing Policy	Y	The Fund's gearing as at 30 June 2019 was 53.8% (calculated according to ASIC's method), which is lower than the ASIC requirement of 70%. The Fund has a Target Gearing Ratio of 45%.
2. Interest Cover	Y	The Fund's interest cover ratio for FY19 was 2.11x (calculated according to ASIC's method: EBITDA, less unrealised items, divided by interest expense), which is above the ASIC's requirement of 1.0.
3. Interest Capitalisation	Y	The interest expense of the Fund is not capitalised.
4. Valuations	Y	Properties will be independently valued before acquisition, at least once every two years and before an acquisition. The valuations will be reviewed by the Manager every six months.
5. Related Party Transactions	Y	The RE has a written policy on related party transactions
6. Distribution Practices	Y	The Fund will only pay distributions from its funds from operations (excluding borrowings) available for distribution.

Source: Centuria Heathley

Related Party Transactions

The RE maintains, and complies with ASIC requirements for, a written policy on related party transactions, including assessment and approval processes for such transactions. All related party transactions will be conducted on an arm's-length basis and require approval of the RE's independent directors.

The Manager has also disclosed that it has a two-year agreement which allows one of its investors to elect to purchase an interest in any new property sourced by the Manager, provided the property is in excess of $20M and meets certain requirements. This agreement runs from 3 September 2019 to 3 September 2021 and Core Property expects this will have minimal impact on the Fund's ability to source additional transactions, given that the Fund is close to being fully invested by December 2019.

Past Performance

Heathley Funds Past Performance

Prior to the establishment of the joint venture with Centuria, Heathley Asset Management has delivered an average IRR of 15% across 29 funds over 41 years. When interpreting the returns, investors should note that past performance is not a reliable indicator of future performance as each syndicate – and its respective underlying asset – has its own specific risks and attributes, which operate difference under different market conditions.

Appendix: Property Profiles

The following is a summary of the properties in the portfolio.

332-342 Old Cleveland Road, Coorparoo, QLD

As at 30 June 2019	
Book Value	$18.0M
Cap Rate	6.00%
NLA (sqm)	1,608
Occupancy (NLA)	96.3%
WALE	5.2 yrs

The property is a mixed medical site which is 96.3% occupied. The key tenants are Queensland X-Ray, a Terry White chemist, a podiatrist and other medical providers. The site includes an onsite car park for 65 vehicles. The building is located in the heart of Coorparoo's residential and retail precinct, approximately 4 KMs south-west of Brisbane CBD.

18 Prowse Street, West Perth WA

As at 30 June 2019	
Book Value / Completed Value	$8.6M
Cap Rate	6.25%
NLA (sqm)	1,226
Occupancy (NLA)	100%
WALE	9.3 yrs

The property is modern two-story day hospital with 20-car basement parking. The site is located approximately 1.2 KM from the Perth CBD. Originally acquired under a fund-through development by the Fund in October 2017, the building achieved practical completion in August 2018. The property is 100% leased to Healius, which acquired Montserrat Day Hospitals in September 2018.

RiverCity Private Hospital, 401-409 Milton Road, Auchenflower QLD

As at 30 June 2019	
Book Value	$40.4M
Capitalisation Rate	6.00%
NLA (sqm)	3,648
Occupancy-by NLA	100%
WALE	6.7 yrs
Acquisition Date	Oct 2017

The property is a modern free-standing medical facility built in 1999 and recently extended and upgraded to include a three-level car park for 76 vehicles in 2017. The building includes two theatres used by the Vision Eye Institute and is located to the North-Western side of Milton Road in Auchenflower approximately three kilometres from the Brisbane CBD and has a hospital license. The property was acquired by the Fund in October 2017.

2-24 Waldron Street, Yarrabilba QLD

As at 30 June 2019	
Book Value	$11.8M
Capitalisation Rate	6.00%
NLA (sqm)	1,081
Occupancy-by NLA	100%
WALE	11.6 yrs
Acquisition Date	Dec 2017

The Fund has acquired a newly developed medical centre, located at the entrance of a master planned community in Yarrabilba, QLD. The site is next to a Coles neighbourhood centre and opposite an IGA. The major tenant, ANA Ventures, consists of a medical center with Terry White Chemist and represents 74% of NLA, with the remaining space leased to a Café.

16-24 Weippin Street, Cleveland, QLD

As at 30 June 2019	
Book Value	$38.9M
Cap Rate	6.00%
NLA (sqm)	5,585
Occupancy (NLA)	100%
WALE	3.4 yrs
Acquisition Date	Dec 2017

The property is located approximately 25 kilometres South-East of Brisbane, comprising of four modern stand-alone buildings three of which are predominately medical properties and includes a childcare centre. The property is leased to high quality medical providers and associated health users. The property has a 1.6-year WALE, which includes the Mater on a rental guarantee until December 2021.

56 Rosemont Street, Wollongong NSW

As at 30 June 2019	
Book Value	$2.1M
Capitalisation Rate	6.50%
NLA (sqm)	315
Occupancy-by NLA	100%
WALE	5.7 yrs
Acquisition Date	Feb 2018

The property is a medical facility located on a 1,416.5sqm site located on the south-western corner of Rosemont Street and Urunga Parade. The property is situated within an established mixed medical and residential location, approximately 400 metres west of public and private hospitals in Wollongong NSW. The site has off street care parking for around 20 vehicles.

11-19 Riverview Place, Murarrie, Brisbane QLD

As at 30 June 2019	
Book Value	$44.6M
Cap Rate	5.50%
NLA (sqm)	10,005
Occupancy-by NLA	100%
WALE	16.5 yrs

A modern, purpose built commercial office property with two primary buildings constructed circa-2005. The major tenant QML Pathology occupies 100% of NLA and has negotiated a lease extension for 15 years now expiring in 2035. The property is approximately 10km east of Brisbane's CBD and approximately 13km south of Brisbane Airport. The property has car spaces for 280 vehicles. Given the extensive specialised and costly tenant fitout at the premises, the Manager has advised that it has a high degree of comfort in tenant renewal.

4 Baker Court, West Albury NSW

As at 30 June 2019	
Acquisition Value	$5.5M
Cap Rate	6.50%
NLA (sqm)	1,107
Occupancy-by NLA	100%
WALE	2.3 yrs

The property is a purpose-built day surgery located across from Albury Wodonga Private Hospital. It was initially constructed in 1992 and further went major refurbishment in 2006. The asset accommodates 3 operating theatres, admission and recovery areas, change rooms, storage rooms and offices. It has a total NLA of 1,107 sqm with 55 at grade car spaces.

2-6 Meurant, Wagga Wagga NSW

As at 30 June 2019	
Book Value / Completed Value	$9.6M
Cap Rate	6.00%
NLA (sqm)	1,525 sqm
Occupancy (NLA)	100%
WALE	4.7 yrs

This asset is a single level purpose-built day surgery located in Wagga Wagga located in the Riverina region. Originally constructed in 2014, the day surgery has three operating theatres, an endoscopy procedural room, surgery preparation rooms, five waiting theaters and change rooms. After its acquisition by Cura Day Hospitals in 2016, there are now 33 specialists at located at this asset. The subject property has a total NLA of 1,525 sqm with Cura Day hospitals as the major tenant.

375A/377 Concord Road, Concord West Sydney NSW

As at 30 June 2019	
Completed Value	$15.5M
Cap Rate	5.75%
NLA (sqm)	986
Occupancy (NLA)	100%
WALE	10.1 yrs

The site will be developed into a modern, purpose built and state-of-the-art specialist cancer care centre to be completed by August 2019. The property will be equipped to hold 10 ground floor car parks. Major tenant; Genesis Care will occupy 100% of NLA, providing a long term secure income investment for the Fund.

60-62 Dalton Drive, Maroochydore QLD

As at 30 June 2019	
Book Value	$38.2M
Cap Rate	6.50%
NLA (sqm)	6,723
Occupancy-by NLA	100%
WALE	4.8 yrs

The property is a three storey mixed use medical office facility with basement car park. Acquired on a Fund Through basis, the property achieved practical completion in December 2018, with the key tenant, Queensland Health. Around 36.9% of the rental income is covered by a rental guarantee until May 2021, paid for by the developer.

Lot 312/1315 Cockburn Road, Mira Mar, Albany WA

As at 30 June 2019	
Completed Value	$3.5M
Cap Rate	6.50%
NLA (sqm)	641
Occupancy-by NLA	100%
WALE	9.9 yrs

The asset is a single development lot that will be developed into a day surgery. It will become a multi-purpose single level detached medical building positioned at the south end of Cockburn Road. This asset will feature one operating theatre, a holding bay, nurses' station, two recovery rooms, surgery preparation rooms, medical supply and change rooms. It has a total NLA of 641 sqm with the major tenant being Healius.

Lots 7 & 8, 956 Gympie Road, Chermside

As at 30 June 2019	
Completed Value	$11.0M
Capitalisation Rate	6.25%
NLA (sqm)	1,145
Occupancy-by NLA	100%
WALE	3.9 yrs

The asset is located adjacent to Westfield Chermside, approximately 10km from the Brisbane CBD on Gympie Road. It is a 5-level day hospital and specialist suite facility with basement carparking which was completed in 2008. The building also comprises of a total of 17 lots, with 206 vehicle car parking spaces of which 171 are basement car spaces.

100 Murdoch Drive, Murdoch WA

As at 30 June 2019	
Acquisition Value	$14.5M
Capitalisation Rate	6.76%
NLA (sqm)	1,737
Occupancy-by NLA	100%
WALE	10.8 yrs

The site will be developed into a specialist oncology centre on land which is subject to a 60-year ground lease with St. John of God Murdoch Hospital. Upon completion the Property will comprise a three-level building which adjoins St. John of God Murdoch Hospital, with a reception and patient waiting area, consultation rooms, administration and staff breakout areas, radiation oncology bunkers, treatment bays, radiopharmacy, two cat scan rooms and support facilities. It has a total NLA of 1,737 sqm with the major tenant GenesisCare.

42-44 Ord Street, West Perth WA

As at 30 June 2019	
Completed Value	$11.0M
Capitalisation Rate	6.75%
NLA (sqm)	1,668
Occupancy-by NLA	100%
WALE	9.3 yrs

The Property consists of a three-storey building with a specailised day hospial with four theatres on the ground florr and office ans torage space on the first and second floors. The Property is leased to the Perth Eye Hospital with total NLA of 1,668sqm.

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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