



Centuria

Property investment in the hunt for yield

Centuria Capital Ltd | July 2019

Agenda

- 1 Centuria Capital Group – Corporate Update
- 2 The Centuria Competitive Advantage
- 3 Commercial Property Market Overview
- 4 Centuria Diversified Property Fund



SECTION ONE

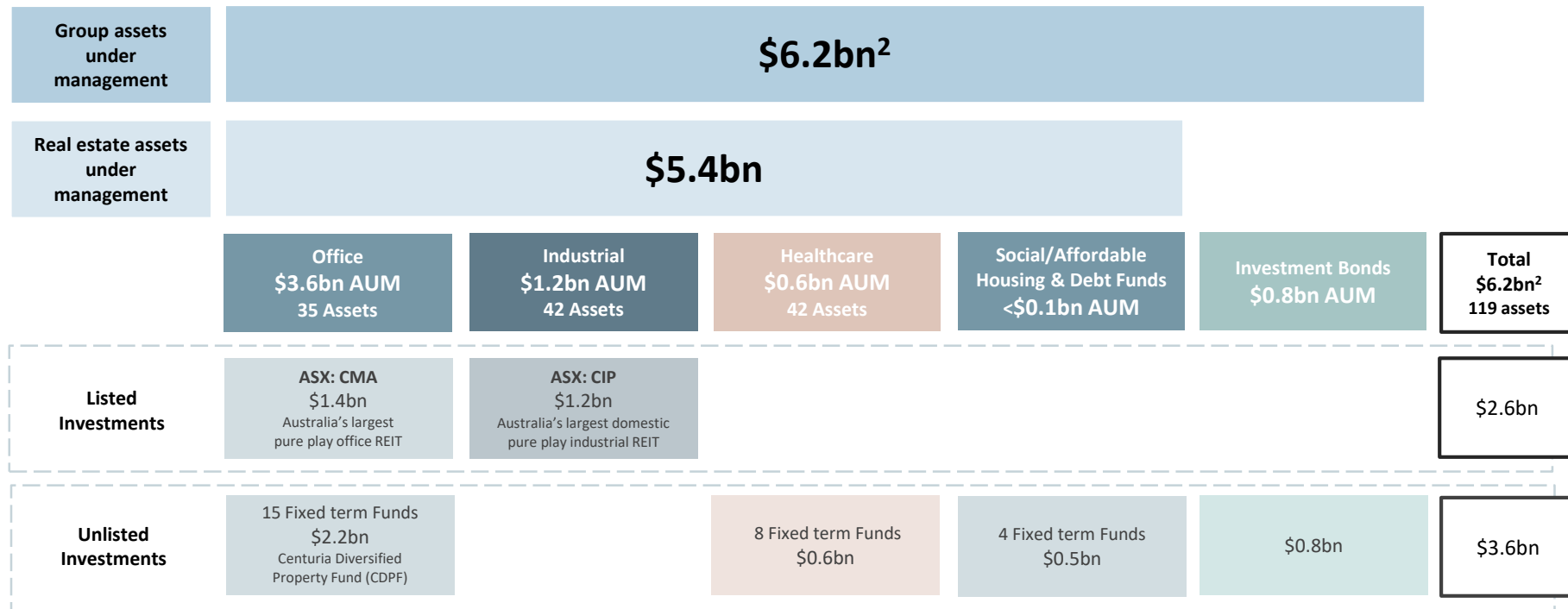
Centuria Capital Group Corporate Update

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Centuria is an established ASX-listed specialist investment manager

ASX:CNI Market Capitalisation \$577m¹



1. Based on CNI closing price of \$1.505 on 24 May 2019

2. AUM as at 31 December 2018 with pro forma adjustments to reflect Centuria Heathley Transaction

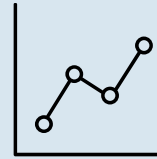
Long-Term Track Record¹

Historical Completed Funds Performance



1998

Centuria's unlisted property division established



40

Closed-ended funds completed² since inception



\$1.65b¹

Of property asset sales since inception



14.36%³

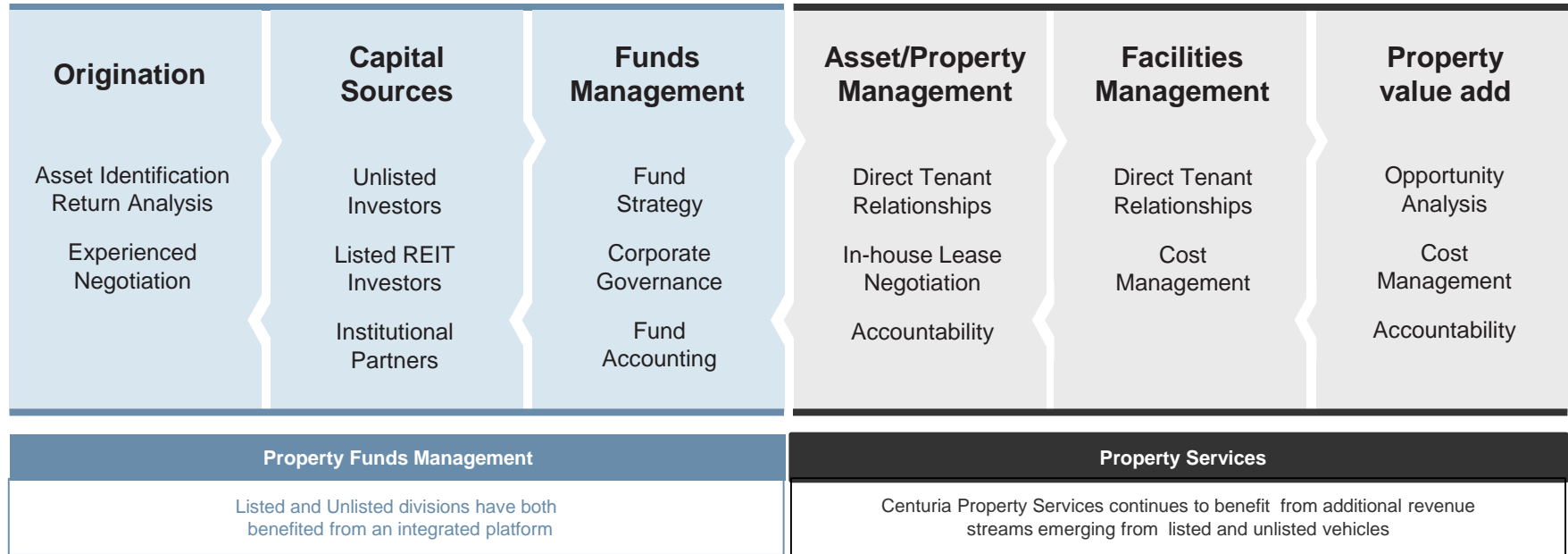
Average annual total return to investors

1. As at 31 March 2019

2. All available funds have been returned to investors

3. Past performance is not a reliable indicator of future performance

Centuria's integrated property platform leverages deep real estate skills and experience across the group



Quarterly Benchmark Performance

PCA/MSCI index is measure of total return performance for unlisted retail property funds in Australia (Unfrozen).

The index database is comprised of assets from 29 funds with a combined gross asset value of ~\$7.0b¹. Centuria Funds made up 6 of the top 10 performing unlisted funds in the Property Council of Australia/MSCI Australia Unlisted Retail Quarterly Property Fund Index (Unfrozen) in the last 9 quarters to March 2019².

Centuria Funds have also won the Core Property Fund of the Year Award 3 times since 2011 (19 Corporate Drive 2011, 8 Central Avenue No.2 2015 & 203 Pacific Hwy 2016).

Contributors to the Index	
Australian Unity	Cromwell Property Group
Centuria Property Funds	Folkstone Funds Management ³
Charter Hall Group	CorVal Partners ³

1. As at 31 March 2019
2. Past performance is not a reliable indicator of future performance
3. Folkstone and CorVal are no longer contributors to the index

Period	Top 10 Performing Centuria Funds	Centuria Funds Placed
Quarter ending March 2017	6	1, 3, 7-10
Quarter ending June 2017	6	1-2, 4, 8-10
Quarter ending September 2017	6	1-2, 4, 7, 8, 10
Quarter ending December 2017	6	1-3, 5, 7, 8
Quarter ending March 2018	6	1-2, 5-8
Quarter ending June 2018	6	1-5, 8
Quarter ending September 2018	6	1-5, 7
Quarter ending December 2018	6	1-2, 4-6, 9
Quarter ending March 2019	6	1-2, 4-6, 9

Centuria Funds in the Property Council of Australia/MSCI Australia Unlisted Retail Quarterly Property Fund Index (Unfrozen)



Photo: 8 Central Avenue, Eveleigh NSW

SECTION THREE

Commercial Property Market Overview

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Impact of the return of the coalition - First Home Loan Deposit Scheme

Only 5% deposit required instead of 20%

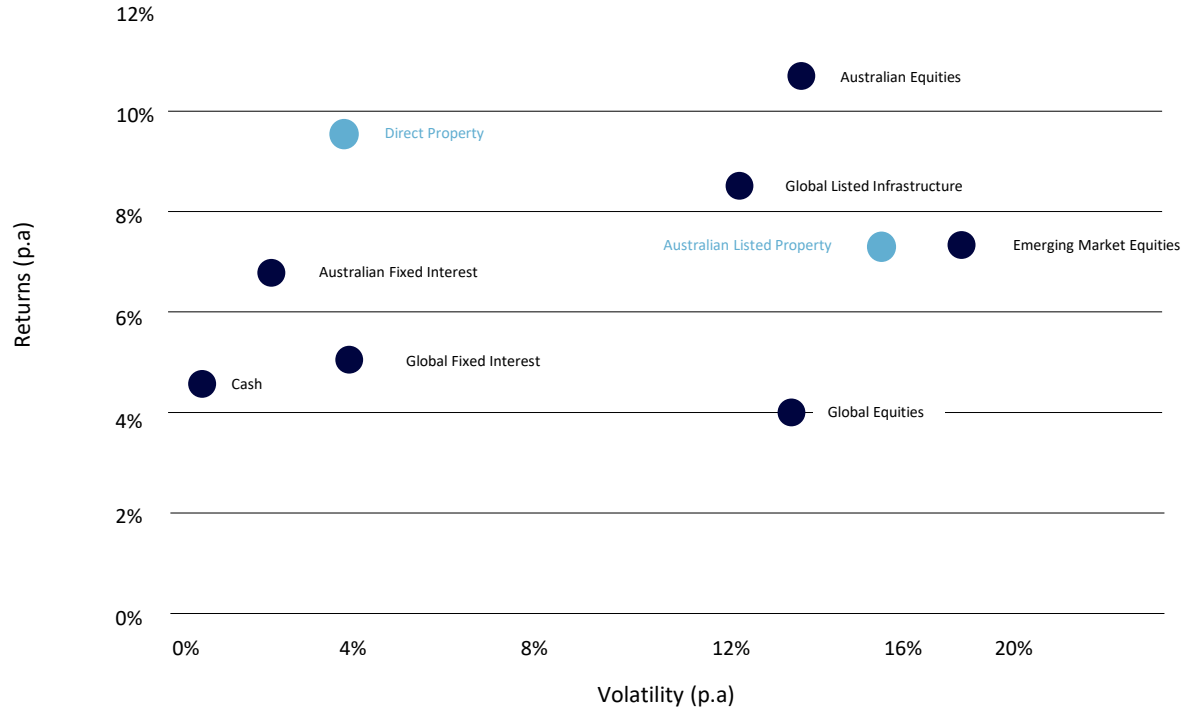
Starts by January 2020

Only single first-home buyers earning up to \$125,000 annually, \$200,000 for couples

10,000 first-time buyers estimated



Asset Class Risk – Return Profile (20 years to 30 June 2018)



Source: Lonsec Research

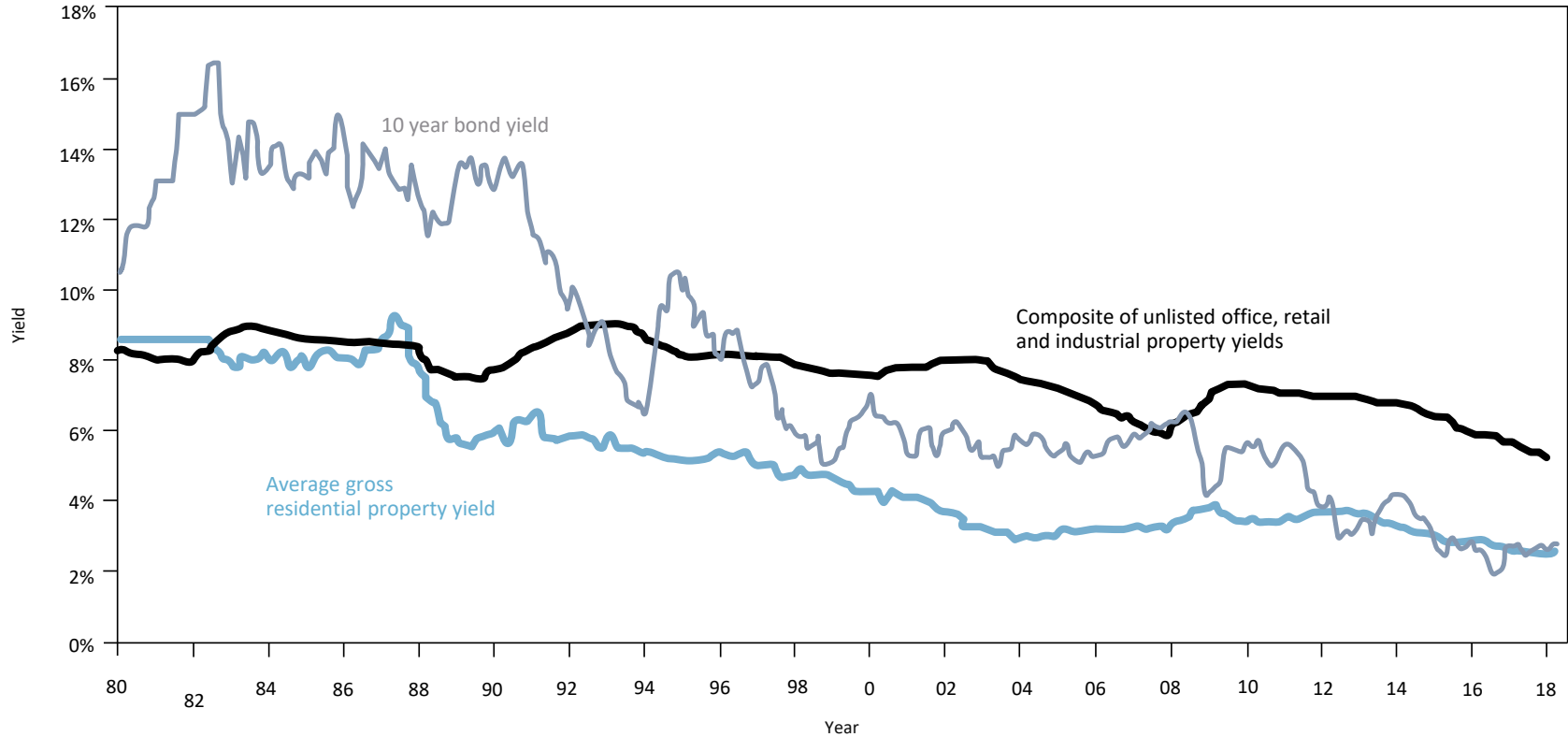
Global volatility makes allocating Capital more challenging (major asset class yield)

M1WO Index (MSCI World Net Total Return USD Index)
AS51PROP Index (S&P/ASX 200 A-REIT Index)
AS51 Index (S&P/ASX 200)
USGG10YR Index (US Generic Govt 10 Year Yield)

Bloomberg
RBACOR Index (RBA Interbank Overnight Cash Rate)



Commercial Property Yield - the alternative



Source: JLL, REIA, Bloomberg, AMP Capital

Property investment options

Residential Property

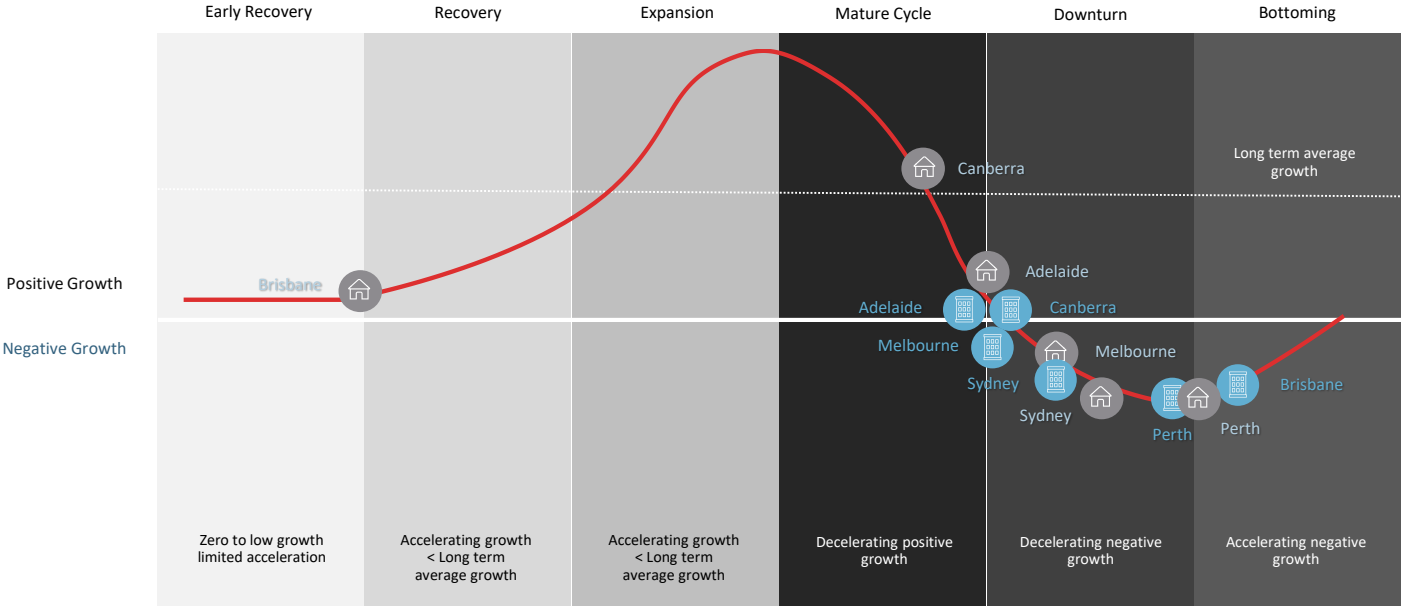
Tax & growth driven

Commercial property

- Listed A-REITs
- Unlisted property funds
- Direct property investment



Australian residential property cycle – Where are we currently?



KEY: Detached Housing Apartments

Source: JLL Research, March 2019

Is the commercial property market overheated?

- Value drivers

Property is simple if we can get the basics right

- Quality tenants
- Prime locations
- Strong lease agreements
- WALE
- Gearing level
- Vacancy rates

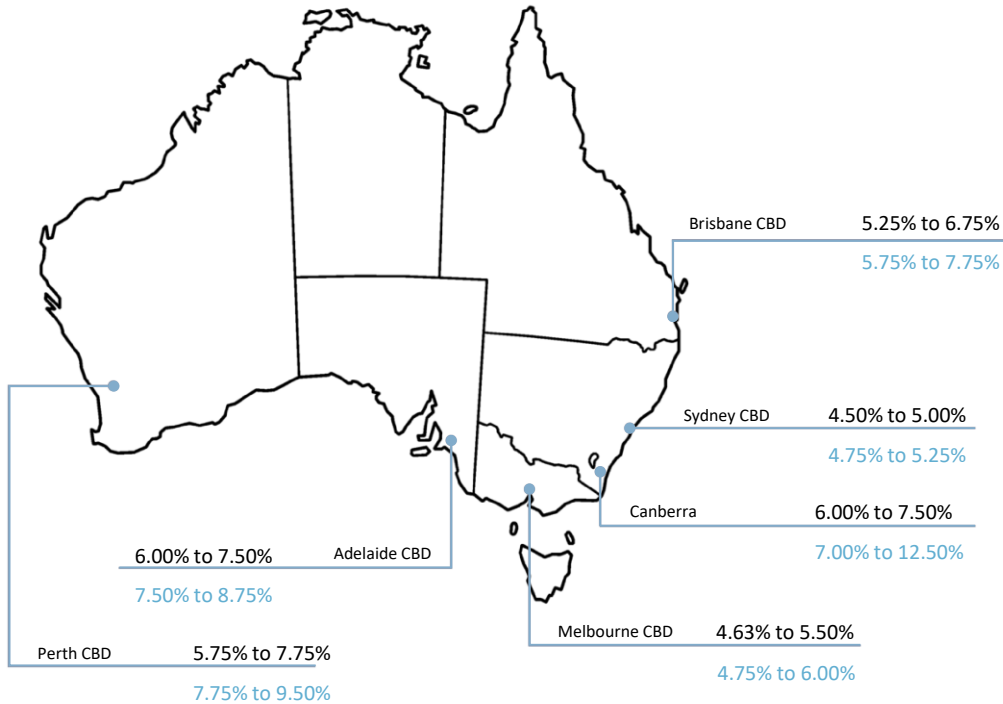
Factors affecting vacancy rates include;

- New supply pipelines
- Withdrawals of stock
- White & blue collar employment levels
- Economic activity
- Funding easier to access

Each state has its own drivers and will perform differently through the cycle

Where are the best opportunities today for income?

Office yields – Investable universe \$288b



Source: JLL Research, March 2019



Key drivers impacting office demand



Limited new stock until 2021



New development is pre-commitment led



Office vacancy is trending lower



Strong offshore demand



Lower \$AUD vs \$US/Euro



Pricing is reflecting rental growth



Strong demand reflecting changing work patterns



Sydney North Shore Centuria Case Study

Centuria Zenith Fund¹

- A Grade asset acquired in July 2016 for **\$279m**, 50% JV with Blackrock.
- **Significant capital** works and leasing initiatives to maximize asset value, including 57 leasing transactions over 41,000sqm (~93% of NLA).
- Investors have received an average distribution yield of **7.68%** per annum (annualised) since inception, as well as an asset value increase of **+44.6%**.

		PURCHASE JULY 2016	DECEMBER 2018
WALE (by income)	years	2.5	4.4
Occupancy (by area)	%	95	100
Average net passing rental (office)	\$/sqm	476	545
Purchase/Sale Price	\$m	279	435+ ²

1. The case study provides a selected example relating to Centuria Zenith Fund. It is in summary form only and has no correlation to any other property or fund. Each fund managed by Centuria Property Funds Limited will have different characteristics, properties and risk and should be assessed by an investor independently of the performance of completed funds. Past performance is not indicative of future performance. Centuria Property Funds Limited is the Responsible Entity of the Centuria Zenith Fund ARSN 612 163 416

2. The asset is currently under exclusive due diligence for sale



Photo: The Zenith Towers, Chatswood NSW

Commercial property market outlook

- RBA forecast to move from a neutral to rate cutting cycle
- Prominent yield differentials across Australian CBD markets – Sydney vs Adelaide
- New supply coming on market slowly from 2021 onwards
- Reduced net vacancy across rates major Australian capital cities
- Reduced volatility from valuations
- Effective rental growth driving increased capital value in metropolitan and CBD markets
- Demand reflecting changing consumer buying behaviour
- Key risk global trade and government policy



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SECTION FOUR

Centuria Diversified Property Fund

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The Centuria Diversified Property Fund aims to provide monthly tax effective income and long-term capital growth by investing in a diversified portfolio of predominantly office, industrial and retail property assets located within Australia.





CENTURIA DIVERSIFIED PROPERTY FUND (CDPF)

Fund Highlights



Multi-Asset open-ended unlisted fund with limited Monthly liquidity facility¹



Limited monthly withdrawals¹



Invested in Centuria unlisted property schemes, a listed index A-REIT and cash



CDPF now accepted on twelve investment and superannuation wrap platforms



Daily application and unit pricing



Increasing fund inflows



Distributions paid monthly



Initial exposure via unlisted property funds, currently in due diligence to acquire its first two direct assets

1. Limited to the terms detailed in the PDS and are subject to the CDPF's liquidity policy

Fund Metrics as at 31 March 2019¹

Property asset investments	14
Fund carrying value	\$56.28m
Yield (12 months to 31 March 2019)	5.16%
Weighted Cap Rate	6.44% ²
Look-through gearing	27.93% ³
Net lettable Area (sqm)	210,144
Number of tenants	123
WALE (years)	7.37 ²
Occupancy	99.51% ²
Unit Price	\$1.4264



1. Updated on a quarterly basis

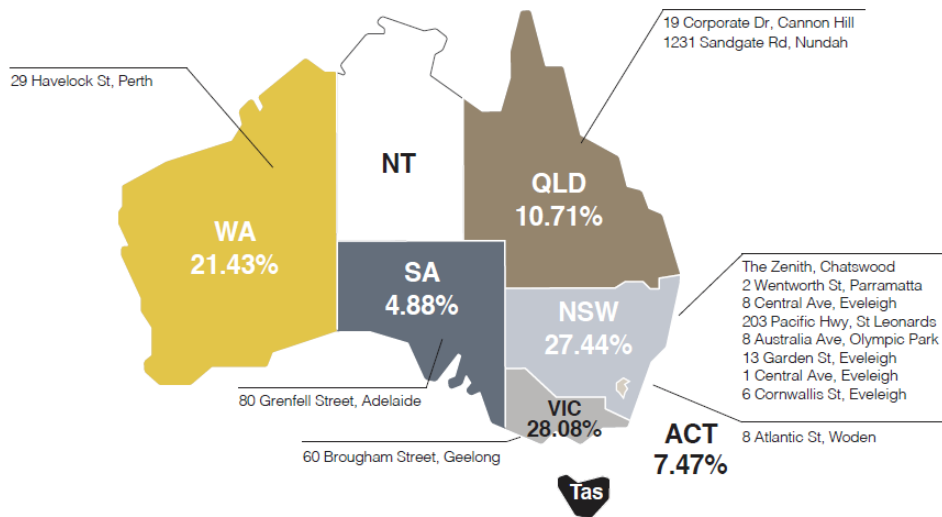
2. Weighted by investment value of property holdings

3. Gearing on a look through basis as at 31 December 2018

Fund Performance (31 March 2019)¹

	6 Month %	1 Year %	2 Year % p.a.	Inception % p.a. ²
Income	2.57	5.16	5.31	5.92
Capital Growth	5.78	7.61	8.65	13.81
Total Return	8.35	12.77	13.96	19.73

Geographic Diversification (31 March 2019)¹



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

2. Inception as at 24th June 2016

1. Percentage weighting reflects asset allocation of property fund holdings only

Centuria's property selection criteria¹

- Centuria will aim to acquire assets with value add opportunities
- Centuria is seeking to acquire long lease, high quality assets with strong tenants and provide secure income to investors
- Targeted income may be in the range of 6 – 7 % p.a. over the 5-year product period with the potential for long-term capital growth
- Exposure to these hard assets as part of a diversified portfolio will lower overall portfolio risk
- A commercial property investment may suit investors seeking regular monthly income

¹. Each fund managed by Centuria Property Funds will have different characteristics, properties, gearing and risk and should be assessed by an investor independently. In comparison to direct property investments, investors should also expect to be charged additional fees in connection with any property fund investment.

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