



Centuria Capital No. 2 Fund

- 7.00% Fixed April 2021
- 3MBBSW+4.5% Floating April 2021
- 6.5% Fixed April 2023
- 3MBBSW+4.25% Floating April 2023
- 5.00% Fixed April 2024
- 3MBBSW+4.5% Floating April 2024

October 2020

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Issuer Overview

Centuria Capital No. 2 Fund (Centuria) is a 100% owned subsidiary of Centuria Capital Group (CNI), an ASX-listed specialist investment manager with \$9.4 billion in funds under management and a 38-year track-record. The business has two key areas of focus; Centuria Property Funds which specialises in listed and unlisted property investments and Centuria Investment Bonds which offers investment products to clients.

Centuria has a 38-year track record as a specialist investment manager.

The issuer holds strategic equity investments in several listed and unlisted property investments divided amongst the following Australian sectors:

Office Investments, Fixed Term Funds, Industrial Property, Diversified Property, Investment Bonds and Healthcare Real Estate.

In addition, Centuria Capital will, upon completion of the Augusta Limited takeover, hold \$1.8bn of New Zealand assets.

This update relates to all bonds that Centuria Capital No. 2 Fund has on issue, in the form of both fixed and floating notes (the “notes”):

The Group has issued six fixed and floating corporate notes as per:

- \$30,708,000 7% fixed rate secured corporate notes that mature in April 2021 and are secured against assets within certain subsidiaries of the Centuria Capital Fund Group.
- \$26,040,000 floating rate secured notes that mature in April 2021 and are secured against assets within certain subsidiaries of the Centuria Capital Fund Group.
- \$45,000,000 6.5% fixed rate corporate notes that mature in April 2023 and are secured against assets within certain subsidiaries of Centuria Capital Fund.
- \$35,000,000 floating rate secured notes that mature in April 2023 and are secured against assets within certain subsidiaries of Centuria Capital Fund.
- \$18,115,000 5% fixed rate secured notes that mature in April 2024 and are secured against assets within certain subsidiaries of Centuria Capital Fund.

- \$13,960,000 floating rate secured notes that mature in April 2024 and are secured against assets within certain subsidiaries of Centuria Capital Fund.

In January 2020 Centuria made a conditional offer to acquire Augusta Limited (Augusta), one of New Zealand's largest listed real estate funds management companies, which, if settled, would have increased the pro-forma AUM to \$9.2bn (+26%). However, following the global crisis surrounding the COVID-19 virus the company announced its withdrawal from that offer on 26 March 2020. Subsequently in June 2020 Centuria relaunched a full takeover bid for Augusta and was successful in August 2020 in reaching the compulsory acquisition threshold. Centuria then proceeded with compulsory acquisition of the remaining outstanding shares.

Centuria was holding \$149m in cash at the end of June 2020 and with its subsequent \$340.8m Centuria Industrial REIT equity raising is well positioned to complete the acquisition of some high-quality industrial assets.

Key Information

The primary assets of the issuer comprise holdings in ASX listed entities and unlisted property syndicates. As of 30 June 2020, secured debt to total tangible assets stood at 27.2%.

Centuria currently has \$56.7m of senior secured debt outstanding maturing in April 2021, \$80m maturing in April 2023 and a further \$32.1m maturing in April 2024.

Centuria bonds are
secured by a first ranking
General Security Deed

ISIN	(a)AU3CB0243749 (b)AU3CB0257830 (c)AU3FN045068 (d)AU3FN0035457 (e)AU3CB0271898 (f)AU3FN0053773
Minimum amount	\$10,000
Denominations	\$1,000
Retail / Wholesale	Retail (R) and Wholesale (W) clients
Coupon type	Fixed/Floating/Fixed/Floating
Rate	(a)7.00% (b)Floating BBSW+4.5% (c)6.5% (d)Floating BBSW+4.25% (e) 5% (f)Floating BBSW+4.5%
Coupon payment frequency	(a)Semi-Annually (7% Fixed) (b)Quarterly (Floating) (c)Semi-Annually (6.5% Fixed) (d)Quarterly (Floating) (e) Semi-Annually (5% Fixed) (f) Quarterly (Floating)
Issue date	(a)April 2017 (7% Fixed) (b)April 2017 (Floating) (c)October 2018 (6.5% Fixed) (d)October 2018 (Floating) (e) April 2020 (5% Fixed) (f) April 2020 (Floating)
Maturity date	(a)April 2021 (b)April 2021 (c)April 2023

	(d) April 2023 (e) April 2024 (f) April 2024
Type / Rank	Senior Secured
Domicile	Australia
Currency	AUD (Australian Dollars)
Amount issued / outstanding	(a) \$85m/\$30.708m (7% Fixed) (b) \$40m/\$26.04m (Floating) (c) \$45m/\$45m (6.5% Fixed) (d) \$35m/\$35m (Floating) (e) \$19.292m (Fixed) (f) \$13.96m (Floating)
Aust. Withholding Tax exempt	Yes
Issuer / Bond credit rating	N/A
Guarantor / Credit Wrapper	Unsecured Guarantor: Centuria Capital Limited. Secured Guarantors: i. the Issuer; ii. Centuria Investment Holdings Pty Limited as trustee of the Centuria Capital No. 2 Office Fund; and iii. Centuria Investment Holdings Pty Limited as trustee of the Centuria Capital No. 2 Industrial Fund.

The notes have the benefit of a negative pledge and certain financial covenants as described in the information memoranda that sure up the position of bond holders within the Centuria Group capital structure.

Risks

Centuria Group is subject to prevailing property market conditions. The value of properties held in the Centuria Group managed funds may fluctuate over time due to a number of factors including rental levels, occupancy assumptions, vacancy periods, rental incomes and capitalization rates, all of which may change for a variety of reasons. The property assets in the funds are, by their nature, illiquid investments. However, given a debt to assets ratio of 29%, noteholders need not be overly concerned about the asset backing of the bonds until there is a 30% - 40% decline in the price of commercial office assets

The two additional risks of consequence are rental revenue reductions and adverse revaluations on property. Mitigating these risks is a strong tenant base with 25% of Centuria's Office portfolio income being generated from government tenants and a further 50% being from listed or multinational corporations. Over 50% of Centuria's industrial income is derived from consumer staple production and distribution and pharmaceutical production and distribution related entities which have not been dramatically affected by the COVID-19 crisis. The security for the noteholders principally consists of residual equity stakes, ranking behind secured debt in underlying funds which has strengthened as the asset base of Centuria's funds have increased.

Summary

Centuria Capital No. 2 Fund offers clients exposure to a diversified funds management business. The risks associated with the investment are currently being compensated for in the return.

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