

HEATHLEY DIRECT MEDICAL FUND

No.2

Opportunity to invest into a quality Australian healthcare real estate portfolio with attractive, long term investment fundamentals

- Differentiated healthcare property fund focused on cost effective models of care
- Stable, secure returns supported by long dated lease expiries, high occupancy and quality tenants
- Growth supported by targeted acquisitions and risk-mitigated development opportunities

HEATHLEY

Heathley is raising \$38.5 million to reduce the Fund gearing to 45% following three recent property acquisitions¹

INVESTMENT HIGHLIGHTS

- ✓ The healthcare sector is underpinned by strong, non-discretionary demand which is driven by demographic fundamentals including a growing and ageing population and an increased prevalence of chronic disease
- ✓ Healthcare property returns have historically outperformed other property classes²
- ✓ The Fund is focused on properties which deliver cost effective models of care. Demand for these types of healthcare services is expected to grow, increasing the demand for healthcare properties
- ✓ The Fund is diversified by tenant, geography (with properties located in three Australian states) and property type; day hospitals and specialist centres, medical centres and medical offices
- ✓ The Fund delivers a stable, secure income stream supported by high occupancy and long leases to quality healthcare tenants, and provides access to risk-mitigated development opportunities
- ✓ Heathley is a specialist healthcare property funds manager with deep experience, relationships, skills and track record in the healthcare property sector

INVESTMENT STRATEGY

The Fund aims to acquire a diversified portfolio of medical properties located throughout Australia, with a target acquisition value of \$300 million. The Investment Strategy is to achieve superior risk adjusted returns by:

- **Acquiring** existing medical properties
- Participating in the **development** of new medical properties (greenfield or brownfield sites)
- Actively **managing** the properties during the Investment Term

The Manager will seek to achieve the Investment Strategy by investing in a portfolio of properties which are diverse by property type, tenant, return type (income and development) and geography, with long term leases in place, and multiple exit strategies.

INVESTMENT CRITERIA

The Fund's investment criteria will be as follows:

- **Property type:** medical centres, specialist centres, day and overnight hospitals, diagnostic facilities, allied health & ancillary medical service providers
- **Location:** strategic and diversified locations with demographics supportive of demand for healthcare
- **Occupancy:** properties with greater than 90% occupancy
- **Weighted average lease expiry:** properties with long-dated leases that provide certainty of income for the term of the Fund and an attractive lease tail on property sale
- **Development:** funding greenfield and brownfield development opportunities will be considered to grow returns for investors. The Manager will seek a maximum exposure of 20% of the Fund's equity to development opportunities

FORECAST RETURNS

- Forecast distribution of 5.75 cents per unit for the year ending 30 June 2019
- Distributions are paid quarterly in arrears

FUND STRUCTURE

- **Target portfolio value:** The Fund will aim to acquire properties with a value of \$300 million
- **Investment Period:** The Fund will aim to acquire the properties within two years, and will continue to raise equity for the duration of the Investment Period to fund the acquisitions
- **Portfolio Management Period:** Following the completion of the Investment Period, the Fund will have a Portfolio Management Period of up to five years where income and capital growth strategies will be applied

If the properties have not been sold and the Fund wound up by the time of expiry of the Portfolio Management Period, the investors will vote to liquidate or retain the Fund.

ACQUISITION OF SEED PROPERTIES		JAN 2019	INVESTMENT PERIOD COMPLETE				PORTFOLIO MANAGEMENT PERIOD COMPLETE	
INVESTMENT PERIOD The Fund will continue to acquire Properties up to a value of \$300 million			PORTFOLIO MANAGEMENT PERIOD Consistent income derived from long-term leases and capital growth by active property management					
YEAR 1	YEAR 2		YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	

¹ See overleaf for recent acquisitions.

² Historical performance is not an indication of future performance.

FUND METRICS

Forecast FY19 distribution yield	5.75 cpu
Target Gearing	45%
Fund Gearing pre-capital raise (as at 31 Dec 18)	55%

MAJOR TENANT SUMMARY

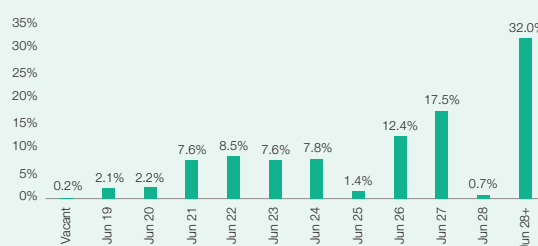
Weighted by Income (%)	
1 Healius Limited	22.1%
2 Queensland Health	10.0%
3 Vision Eye Institute	8.9%
4 Mater Hospitals and Health Services	8.2%
5 GenesisCare	8.1%

PORTFOLIO METRICS (as at 31 Dec 2018)

Number of properties	13
Portfolio value	\$246.4m ³
Number of tenants	33
Weighted average rent review	2.9%
Weighted average capitalisation rate	6.0%
WALE by income	8.1 years
Portfolio occupancy	99.8%

LEASE EXPIRY PROFILE

By Income (%)



³ Portfolio value includes 3 development/fund-through properties valued on an "as if complete" basis.

FUND PORTFOLIO



PROPERTY	332-342 Old Cleveland Road, Coorparoo QLD	2-24 Waldron Street, Yarrabilba QLD	18 Prowse Street, West Perth WA
VALUATION	\$18,150,000	\$11,700,000	\$8,640,000
CAP RATE	6.00%	6.00%	6.25%
PROPERTY TYPE	Medical centres	Medical centres	Day hospitals & specialist centres
OCCUPANCY	97.4%	100.0%	100.0%
WALE BY INCOME (YEARS)	5.6	12.1	9.8
MAJOR TENANTS	Queensland X-Ray / TWC Coorparoo	Terry White Chemmart	Montserrat Day Hospitals



PROPERTY	401-409 Milton Road, Auchenflower QLD	16-24 Weippin Street, Cleveland QLD	11-19 Riverview Place, Murarrie QLD
VALUATION	\$40,500,000	\$38,200,000	\$43,300,000
CAP RATE	6.00%	6.00%	5.50%
PROPERTY TYPE	Day hospitals & specialist centres	Medical centres	Day hospitals & specialist centres
OCCUPANCY	100.0%	100.0%	100.0%
WALE BY INCOME (YEARS)	7.2	3.0	16.9
MAJOR TENANTS	Vision Eye Institute / Queensland Diagnostic Imaging	Mater / Radiation Oncology Partners	QML Pathology



PROPERTY	60-62 Dalton Drive, Maroochydore QLD	375A/377 Concord Rd, Concord NSW	56 Rosemont Street, Wollongong NSW
VALUATION	\$39,100,000 ⁴	\$15,500,000 ⁴	\$2,050,000
CAP RATE	6.50%	5.75%	6.50%
PROPERTY TYPE	Medical offices	Day hospitals & specialist centres	Day hospitals & specialist centres
OCCUPANCY	100.0%	100.0%	100.0%
WALE BY INCOME (YEARS)	5.1	10.5	6.2
MAJOR TENANTS	Queensland Health	GenesisCare	Montserrat Day Hospitals



PROPERTY	2-6 Meurant Lane, Wagga Wagga NSW
VALUATION	\$9,550,000
CAP RATE	6.00%
PROPERTY TYPE	Day hospitals & specialist centres
OCCUPANCY	100.0%
WALE BY INCOME (YEARS)	5.4
MAJOR TENANTS	Cura Day Hospitals Group

RECENT ACQUISITIONS



PROPERTY	Lots 7 & 8, 956 Gympie Road, Chermside QLD	4 Baker Court, West Albury NSW	Lot 312, 47-51 Cockburn Road, Mira Mar WA
VALUATION	\$10,805,000	\$5,450,000	\$3,465,000 ⁴
CAP RATE	6.25%	6.50%	6.50%
PROPERTY TYPE	Day hospitals & specialist centres	Day hospitals & specialist centres	Day hospitals & specialist centres
OCCUPANCY	100.0%	100.0%	100.0%
WALE BY INCOME (YEARS)	4.3	6.8	10.3
MAJOR TENANTS	Icon Cancer Care	Albury Day Surgery	Montserrat Day Hospitals

⁴ Valuations are presented on an "as if complete" basis for properties currently under development/acquired on a fund-through basis.

KEY DATES

Offer Open Date	21 January 2019
Current Tranche Close Date	25 June 2019
Completion of Investment Period	25 June 2019

CONTACT DETAILS

For further information or if you have any questions related to the offer, please contact:

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IMPORTANT NOTICES

This Fund Summary is issued by Heathley Asset Management Limited ABN 40 003 976 672, AFSL 246368 (Heathley), the responsible entity of the Heathley Direct Medical Fund No.2 (Fund) and the issuer of units in the Fund. Heathley is not licensed to provide financial product advice in relation to units in the Fund.

The information contained in this Fund Summary is of a general nature only. It has been prepared without taking into account your particular investment objectives, personal circumstances, financial situation or needs. When making decisions in relation to your own personal circumstances and objectives, you may wish to seek independent financial advice. You should be aware that no cooling-off rights apply to a subscription for units in the Fund. This Fund Summary is also not intended to be, and should not be construed in any way as, investment, legal or financial advice.

This Fund Summary is not an exhaustive summary of the terms of the offer. Heathley may update the terms of the Fund from those in this Fund Summary.

ABOUT HEATHLEY

The Manager of the Fund is Heathley Asset Management Limited, a wholly owned subsidiary of Heathley Limited ACN 001 477 505 which was founded in 1977. Heathley Asset Management Limited has successfully established 42 investment funds and the management team has track record in active portfolio management, having completed 47 healthcare property transactions since 2013 with total acquisition value of \$601 million.

Since 2013, the Manager has transitioned to a specialist focus in the healthcare property sector. The Manager saw an opportunity in the healthcare property sector's attractive fundamentals relative to other property sectors, and has developed an in-depth knowledge of the sector's fundamentals and its strategic opportunities. This knowledge, coupled with the Manager's long-term relationships, has positioned it to be able to take advantage of the positive trends in the healthcare property sector.

The management team is guided by an experienced, majority independent board with an independent Chairman. Their collective experience extends across property, development, funds management and banking.

For further information on the group, please visit

www.heathley.com.au

A product disclosure statement (PDS) for the Fund is available from Heathley on the contact details set out above. You should consider the PDS, including the Risks section, before making any investment decision in relation to the Fund.

Heathley does not guarantee any income or capital return from the Fund. There can be no assurance that the Fund will achieve results that are consistent with investment performance of previous investments or that the investment objectives for the Fund will be achieved.

The forecast distribution return is based on the properties set out in this Fund Summary. As other properties are to be acquired over the Investment Period, the actual return may vary. The forecast is calculated after fees and before tax. The forecast is based on various assumptions and the ability to achieve the forecast is subject to various risk factors. Investors should consider the assumptions and risks set out in the PDS. If units in the Fund are acquired, Heathley and its associates may receive fees and other benefits, which are fully set out in the PDS.