

# Healthcare Property Trust

## Fund Fact Sheet – 11 October 2010



	Retail Units	Wholesale Units	Class A Units*
APIR Code	AUS0102AU	AUS0112AU	AUS0037AU
Inception date	30 June 1999	28 February 2002	27 February 2009
Minimum initial investment	\$500	\$25,000	Not Applicable
Minimum additional investment	\$1,000	\$5,000	Not Applicable
Minimum regular savings plan	\$100 per month	\$500 per month	Not Applicable
Entry/Contribution fee	Up to 4.10%	Nil	Nil
Minimum withdrawal amount	\$1,000	\$5,000	Not Applicable
Exit/Withdrawal fee	Nil	Nil	Nil
Withdrawals	Quarterly	Quarterly	Monthly
Management costs	1.35% p.a. of gross assets	0.95% p.a. of gross assets	0.95% p.a. of gross assets
Buy spread	2.75%	2.75%	2.20%
Sell spread	0.50%	0.50%	0.40%
Income distributions	Quarterly	Quarterly	Quarterly

\* Class A units are only available via masterfunds and investor directed portfolio services. Please refer to the operator of the masterfund or investor directed portfolio service for details on their minimum investment requirements.

### Overview of changes since last update

This Fund Fact Sheet was updated on 11 October 2010 (from its previous issue on 26 March 2010) to reflect changes in the Fund's property valuations and borrowings position.

### About the Fund

The Healthcare Property Trust (Fund) is an unlisted property fund that invests in healthcare-related property assets with a primary focus on delivering regular income, plus the opportunity for long-term capital growth. The Fund has a diversified tenant base, currently comprising hospital, medical and aged care operators.

The Fund brings together the Australian Unity Group's understanding of the healthcare sector as well as the investment management expertise and experience of our property team. Australian Unity provides health care, financial planning, investment, and retirement living services to more than 400,000 Australians. Australian Unity's history as a trusted mutual organisation dates back more than 165 years. This powerful combination means that we are uniquely qualified to manage healthcare property investments.

Healthcare property investments include the ownership of the physical infrastructure supporting the healthcare system, including the land, bricks and mortar of hospitals, medical clinics, nursing homes, day surgeries, consulting rooms, rehabilitation units, radiology and pathology centres.

We believe while other property sectors experience the volatility of economic cycles, the demand for healthcare assets is predicted to remain steady. The Fund is an investment in a sector that is relatively immune to the impact of economic downturns.

The Fund offers three classes of units:

- Retail units
- Wholesale units
- Class A units

Class A units provide enhanced withdrawal opportunities to investors compared to Retail and Wholesale units. This is achieved through a separate reserving of cash or similar investments (typically around 20%) from Class A unit applications received.

The Fund was the first of its kind in the market and has been operating since June 1998.

### How the Fund operates

Investor applications are pooled together with borrowings from lenders to purchase healthcare property and related assets for the Fund. An amount of cash is retained in the Fund to meet the Fund's day-to-day operating and liquidity needs.

Rent from the Fund's properties and income earned on the Fund's other assets generate income for the Fund. This income is used to meet the interest expenses on borrowings, management fees, property-related expenses and ongoing Fund expenses. We may also retain some income as a provision for items such as future expenses or capital requirements. Once these costs and provisions are met, the remaining income is distributed to investors.

The capital growth (or loss) on your investment is largely attributed to revaluations of the Fund's properties, changes in value of other assets and the level of borrowings in the Fund.

### What does the Fund invest in?

The Fund primarily invests in a diversified portfolio of healthcare property and related assets, including direct property, managed funds (such as unlisted and listed property trusts and property syndicates) or companies that predominantly hold healthcare property.

The Fund may also invest in similar international healthcare related assets in countries with healthcare systems and property markets with attributes similar to Australia.

The Fund typically holds 75-100% of its assets in direct property and up to 15% in listed or unlisted property investments. The balance is held in cash and similar investments.

In respect of Class A units, these units typically hold 20% of the Class A units value separately in a special liquidity reserve. This level may fluctuate from time to time, depending on cash flows.

The liquidity reserve can be up to 30% of the Class A Units value. The liquidity reserve may also be invested in A-REITs of up to 15% of net asset value.

### Derivatives

It is not the Fund's policy to use derivatives for gearing purposes or for speculative activities. The investment manager may use derivatives for asset allocation purposes, implementation of interest rate risk strategies and management of the Funds' interest rate exposures.

Currently, interest rate swaps are used to manage the interest rate exposure on lending facilities.

### What is the Fund's investment process?

In acquiring and managing the property assets of the Fund the objective is to ensure the Fund takes advantage of trends in the healthcare sector both locally and internationally.

Decisions to invest in healthcare property and related assets are premised on the assets' ability to deliver attractive returns, increase diversification and their relative liquidity. We aim to achieve this by:

- Acquiring healthcare or healthcare-related properties that are leaders in their particular geographical area
- Selectively developing suitable long-term expansion and/or improvement strategies for the properties
- Ensuring the Fund maintains adequate and multiple levels of diversification including by geographic location, property type and the type of healthcare services provided by each tenant
- Building strong, secure relationships with tenants that have relevant experience and expertise in the healthcare sector
- Where practical, putting in place carefully structured, long-term leases, with the aim of achieving stable and predictable rental income as well as growth in rental income over the long-term, and
- Working closely with asset consultants to identify quality healthcare related assets both locally and internationally.

### Borrowings

The Fund borrows to finance new and existing assets, to develop and maintain those assets, and to provide liquidity for operating purposes and for managing the capital position.

The Fund generally operates within a gearing ratio range of 40% - 60% but may operate outside of this range if we believe it is in the interest of the Fund to do so.

Under the Fund's constitution and law, the Fund has the power to:

- borrow and raise money for the purposes of the Fund and to grant security over the Fund's assets; and
- to incur all types of obligations and liabilities.

Generally, interest costs relating to the borrowings will be met from the gross income of the Fund prior to the payment of income to investors.

The lender's rights to recover the total due under the loans, and then the rights of any creditors of the Fund, will rank ahead of all investors. The lenders to the Fund do not have any recourse to investors.

### **Distributions**

Distributions are currently met from net realised income and net realised capital gains and are paid quarterly.

Although it is not our intention to make future distribution payments from sources other than net realised income and net realised capital gains, we may do so if we consider it to be in the interests of our investors (for example if rental income is suddenly reduced unexpectedly) and where payment from that source is sustainable given the circumstances. We will notify investors if this occurs.

### **Withdrawals**

#### **Withdrawals - Retail & Wholesale Unit investors**

In normal operating conditions Retail and Wholesale unit withdrawals are paid quarterly. The maximum total amount available for withdrawals each quarter is 2.5% of the total value of units on issue for the relevant class (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis.

Where a pro-rata payment occurs, investors will need to reapply in a subsequent withdrawal period if they wish to withdraw any further amount.

Withdrawal requests can be made on any day up to 3.00pm on the 28th day of each quarter end date (being 28 February, 28 May, 28 August and 28 November or the next Melbourne business day if the 28<sup>th</sup> is a non business day) to receive the withdrawal price effective for the 28th of that quarter end date. We will endeavour to make withdrawal payments within five days after the quarter end date.

#### **Withdrawals – Class A Unit investors**

In normal operating conditions Class A unit withdrawals are paid monthly. Monthly withdrawals will be met from the cash reserves held specifically for Class A units.

Withdrawal requests can be made on any day up to 3.00pm on the 28th day of the month to receive the withdrawal price effective for the 28th of that month. We will endeavour to make withdrawal payments within five days after the end of month.

In abnormal operating/market conditions the demand for withdrawals may exceed the amount of the cash reserves held for Class A units. Where this occurs, withdrawals will instead be met on a quarterly basis and will be subject to a quarterly cap of 2.5% of the value of Class A units (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis. Where a pro-rata payment occurs, investors will need to reapply in a subsequent withdrawal period if they wish to withdraw any further amount. Quarterly withdrawals will be met from the Fund's general cash holding.

#### **Withdrawals – All investors**

Where we are required to sell property assets, it may take longer for you to receive your withdrawal proceeds. In extreme cases it could take 12 months or longer for you to receive your money.

While the Fund is liquid, the Fund's constitution allows up to 365 days to meet withdrawal requests.

#### **Suspension of withdrawals**

If we cannot sell property assets within 365 days to meet withdrawal requests, the Fund will become illiquid and quarterly withdrawals will be suspended. If this occurs, you can only withdraw when we make a withdrawal offer available, in accordance with the Fund's constitution and law.

#### **Substantial investor withdrawal requests**

In order to ensure reasonable equity among investors, where any single investor requests withdrawals in excess of 5% of the total number of units on issue of a relevant class during a withdrawal period, we may deem those requests to be a single withdrawal request for 5% of the total number of units on issue for that class or such higher amount as we determine at our absolute discretion.

**Who are the people managing your investment?**

Australian Unity Funds Management is the investment manager of the Fund. We are careful, sensible and successful property managers and our property team is one of the most experienced in the market.

We have a track record in managing property in all the major sectors and understand the markets and environment they operate in.

These key people are responsible for managing the Fund.



**David Bryant**  
Head of Australian Unity Investments

Mr Bryant is the Group Executive - Investments and Chief Investment Officer of Australian Unity Investments, which has more than A\$10.4 billion in funds under management (as at 31 July 2010). Australian Unity Investments manages money on behalf of both institutional and retail investors in the areas of Australian and international equities, property, fixed interest and cash securities, and mortgages.

Mr Bryant joined Australian Unity Investments in 2004 and is a director of its major operating companies and their investment subsidiaries. He is also a member of their investment committees. He is responsible for the commercial development and profitability of the business, including investment and lending decisions, as well as support services, including business development, distribution, product development and treasury.

Mr Bryant is a member of the Financial Services Council Investment Board Committee. He has over 25 years experience in investment and financial services with organisations such as Westpac, State Street Bank, Perpetual and Intech.



**Martin Hession**  
Head of Property  
Australian Unity Investments

Mr Hession joined Australian Unity in 2002 and is responsible for Australian Unity Investments' property portfolio, valued in excess of A\$1.0 billion (as at 31 July 2010). His experience in property includes portfolio management, commercial and land development, and real estate agency management over 30 years.

Prior to joining Australian Unity Investments, Mr Hession was General Manager - Property at AXA Australia. Earlier

roles include Managing Director of LJ Hooker (Victoria); Managing Director of Baillieu Knight Frank (SA); and Chief Executive of Hillier Parker (Victoria).



**Chris Smith**  
Portfolio Manager – Healthcare & Industrial Property  
Australian Unity Investments

Mr Smith joined Australian Unity Investments in 2001. He has responsibility for the performance and management of Australian Unity Investments' healthcare and industrial property portfolio and allocates a substantial portion of his time to the healthcare portfolio.

Mr Smith has more than 20 years experience in portfolio and property management, gained during his time in senior roles with Jones Lang LaSalle and Coles Myer. Chris recently completed a Post Graduate Certificate of Business Administration, at RMIT University.

**Portfolio details**

The figures shown in the tables below are taken from the values recorded as at 30 June 2010 and are not based upon audited financial records. Information about the individual properties is contained in the 'Direct property portfolio' table at the back of this document. The Fund's composition and diversity will change over time as properties are acquired or disposed and tenancies are re-let.

**Asset allocation as at 30 June 2010**

	Fund	Effective asset allocation	
		Retail & Wholesale Units	Class A Units
Direct property	96.54%	96.89%	84.92%
Unlisted and Listed Property	1.97%	1.97%	1.72%
Cash	1.13%	1.14%	1.00%
Class A Units Cash Reserve	0.36%	Nil	12.36% <sup>(1)</sup>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*(1) The Class A Units Cash Reserve above is expressed as a percentage of gross asset value. On a net asset basis this equates to 20.14% of the value of Class A Units.*

**Borrowing details as at 30 June 2010**

Total Fund size (gross assets)	\$408.11 million	
Gearing ratio <sup>(1)</sup>	43.35%	
Interest cover ratio <sup>(2)</sup>	1.93 times	
% of borrowings hedged	90.00%	
Borrowing facility limit	\$220.00 million	
Borrowing facility drawn amount	\$176.90 million	
Borrowing facility maturity <sup>(3)</sup>	July 2011	\$137.50 million
	July 2012	\$82.50 million
Hedge expiry <sup>(4)</sup>	May 2012	\$46.47 million
	November 2013	\$33.00 million
	May 2014	\$46.47 million
	November 2015	\$33.00 million

(1) The gearing ratio is calculated as total interest-bearing liabilities divided by total assets and indicates the extent to which the Fund's assets are expected to be funded by external liabilities (borrowings). Generally, a higher gearing ratio means that a fund is exposed to a higher level of risk. The gearing ratio based on the last audited financial statements at 30 June 2010 was 42.20%.

(2) The interest cover ratio measures the ability of the Fund to service the interest on borrowing from net earnings. This calculation shows that the Fund generates income after fees which is 1.93 times the level of interest payments due. This means that the Fund can service interest payments despite reasonable changes to the interest rate and occupancy rate. The interest cover ratio based on the last audited financial statements at 30 June 2010 was 1.94 times.

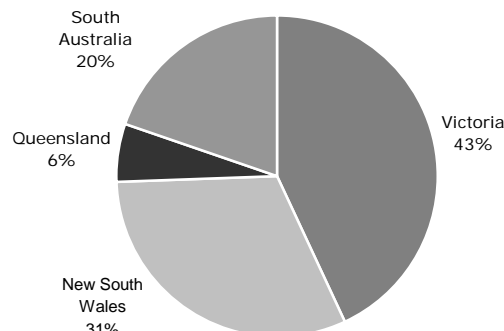
(3) We are confident that each of the loan facilities falling due over the periods shown will be able to be refinanced upon reasonable commercial terms prior to maturity.

(4) In determining whether to hedge the borrowings, a number of factors are considered including general economic conditions, expected changes to interest rates and the costs of implementing the hedge. Importantly, we aim to implement hedges where we believe that it will be beneficial for the Fund to do so.

**Borrowing covenants**

We are within the limits of our borrowing facilities and have no breaches of any financial covenants at the date of this document.

**Direct and unlisted property geographic allocation as at 30 June 2010**



**Direct property occupancy and lease details as at 30 June 2010**

Occupancy rate by area	99.21%	
Weighted average lease expiry by income	7.09 years	
Major tenants and % of base rental income	Ramsay Health	32.10%
	Calvary Healthcare	20.90%
	Health Care	8.40%

**Direct property lease expiry profile as at 30 June 2010**



**Property development**

We believe the Fund can enhance its existing properties and add further value to investors through selective exposure to property development. In managing the Fund's property portfolio, we may refurbish or redevelop the properties from time to time as required. Material property developments will only be undertaken where substantial pre-commitments to lease are in place and development risk is appropriately mitigated. Currently, the Fund is undertaking the following developments.

**Brunswick Private Hospital, Victoria**

A \$6.9 million refurbishment of the Brunswick Private Hospital, Victoria. The refurbishment includes updating the front entrance and the facade, improving lighting levels, replacing air-conditioning units, extending the existing car park and existing building structures to allow for an increased number of beds and services.

The approval of plans and specifications for the development are yet to be finalised. However, minor works to refurbish wards have commenced with the first refurbished wards completed in April 2010.

**Peninsula Private Hospital, Victoria**

We are also planning an expansion of the Peninsula Private Hospital in Langwarrin, Victoria. The proposed expansion, which currently awaits approval from the Frankston City Council, will add a new 30-bed ward as well as additional space for day surgery beds, operating theatres and parking.

**Forest Road, Orange, New South Wales**

We are assessing a number of options for the development site at Forest Road Orange. The six-hectare site was purchased by the Fund in January 2008 for a development project that included plans to build a private hospital, medical centre and other supporting facilities.

**Valuation of properties**

Regular valuation of underlying property assets is an important aspect of managing the Fund in the best interests of all investors. The valuations for direct property are conducted by independent valuers in accordance with industry standards.

We have a policy of generally obtaining independent valuations on our direct properties annually.

The latest valuation for the properties is shown on page 7.

**Related party transactions**

All transactions we enter into in relation to the Fund, including those with related parties, are on arm's length commercial terms.

Entities within the Australian Unity Group may provide property management, accounting and tax services to the Fund for fees charged at a commercial rate.

Policies and guidelines are in place to manage the risk of any actual or perceived conflict of interest as a result of a related party transaction. Related party transactions with Australian Unity Group entities are reviewed and approved by senior management, with clearly identified governance policies and guidelines. All decisions in relation to conflicts of interest and all related party transactions are documented. Policies and guidelines are generally reviewed annually.

The Fund currently has a holding in the Australian Unity Wholesale Cash Fund, a registered managed investment

scheme operated by us. This investment acts as a centralised cash management vehicle for the Fund. The Wholesale Cash Fund primarily invests in short-term fixed interest securities and aims to provide regular income with capital security.

As at 30 June 2010, the Fund held a 0.69% interest (\$5.81m) in the Australian Unity Wholesale Cash Fund.

Details of material related party transactions are reported yearly as part of the Fund's audited annual accounts. The latest annual audited accounts for the Fund can be found on our website [australianunityinvestments.com.au](http://australianunityinvestments.com.au)

**Significant changes since 30 June 2010**

Property acquisition	
Property	12 View Road, Walkerville
State	South Australia
Purchase Price	\$0.88 million

Property	Independent valuation		
	Date	(\$m)	Cap rate %
The Valley Private Hospital, VIC	Sept 2010	\$20.50	9.50
Beleura Private Hospital, VIC	Aug 2010	\$33.50	9.75
Beleura Clinic, VIC	Aug 2010	\$1.00	n/a

**Contact us**

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**Important information**

*This investment product is for the Australian Unity Healthcare Property Trust ARSN 092 755 318 and is issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454 in its capacity as Responsible Entity. This information is intended only to provide a broad summary of this financial product. Investment decisions should not be made upon the basis of its past performance or distribution rate, since future returns will vary. You should refer to the current Product Disclosure Statement if you wish to know more about this product. A copy can be obtained by telephoning 13 29 39, or from our website [australianunityinvestments.com.au](http://australianunityinvestments.com.au). The information provided here was current at the time of publication only, and we recommend that you access our website for further information.*

**Direct property portfolio as at 30 June 2010**

Property	Independent valuation			Book value (\$m)	Major tenant	Lease expiry
	Date	(\$m)	Cap rate %			
<b>New South Wales</b>						
IVF Australia Clinic	Oct 2009	12.50 <sup>(6)</sup>	8.25	12.50	IVF Australia	Oct 2017
Berkeley Vale Private Hospital	Oct 2009	10.50	10.25	10.50	Ramsay Health	Oct 2015
Constitution Hill Aged Care	April 2010	14.77	8.50	14.77	Australian Unity Care Services	Dec 2028
Figtree Consulting Suites <sup>(5)</sup>	Feb 2010	1.10	n/a	1.11	Development site	n/a
Forest Road, Orange <sup>(7)</sup>	Jan 2008	7.12	n/a	7.55	Development site	n/a
Hunters Hill Private Hospital <sup>(8)</sup>	Oct 2009	10.50	9.50	10.51	Ramsay Health	October 2015
Figtree Private Hospital	Feb 2010	18.50	10.50	18.52	Ramsay Health	October 2015
Royal Prince Alfred Medical Centre <sup>(1)</sup>	Feb 2010	47.50	9.00	47.53	Sydney South West Area Health Services and Secure Parking	Various <sup>(9)</sup> March 2012
<b>Victoria</b>						
Beleura Private Hospital <sup>(2)</sup>	Sept 2009	34.35	9.50	34.36	Ramsay Health	July 2019
Eureka Medical Centre	May 2010	3.80	8.25	3.80	Primary Health	Aug 2015
Manningham Medical Centre	Dec 2009	30.00	8.50	30.05	MMC General Practice	July 2013
Peninsula Private Hospital <sup>(3)</sup>	Feb 2010	49.50	8.50	49.54	Ramsay Health	Aug 2019
The Valley Private Hospital	Sept 2009	20.00	9.50	20.08	Healthcare	July 2019
Victoria House Medical Centre	May 2010	17.25	8.25	17.25	Healthscope	Dec 2010
Vaucluse Private Hospital and Patricia Gladwell Aged Care	Aug 2009	11.50 <sup>(6)</sup>	9.50	13.20	Healthcare	Aug 2019
<b>Queensland</b>						
Ipswich Medical Centre and Day Surgery	May 2010	12.50	8.00	12.50	Medicross Ipswich and Ipswich Day Surgery	Sept 2010 May 2012
Willetts Road Medical Centre properties <sup>(4)</sup>	May 2010	10.10	8.00	10.10	Icon Eye Laser	May 2011
<b>South Australia</b>						
College Grove Rehabilitation Hospital	Oct 2009	13.75	9.25	13.84	Calvary Health	July 2019
Wakefield Medical Clinic	Dec 2009	13.25	9.25	13.25	Calvary Health	July 2019
Wakefield Private Hospital	Dec 2009	50.00	9.50	50.21	Calvary Health	July 2019

(1) Leasehold, expires 30 June 2012 with 25+25+24 year options.

(2) Includes a rehabilitation farm at Stumpy Gully Road, Moorooduc.

(3) Includes a parcel of vacant land, not leased to Ramsay Health, adjoining the hospital valued at \$0.75 million as at Feb 2010.

(4) Includes a parcel of vacant land 1-3 Discovery Lane, North Mackay valued at \$1.0 million as at June 2010.

(5) Valuation on an 'as is' basis.

(6) Actual purchase price shown. Independent valuation subsequent to purchase has yet to be obtained.

(7) Actual purchase price shown. Property has been independently valued at \$7.55m in July 2010.

(8) Formerly known as Illawarra Private Hospital.

(9) Comprises four leases, three expire in June 2012, the remainder on short term.

Unlisted and listed portfolio as at 30 June 2010	Amount (\$m)
Orchard Sydney Healthcare Trust (unlisted)	6.05
ING Healthcare Fund (listed)	1.87