

SDA Investment Trust

Initial report 2021



Australian Healthcare Management Pty Ltd
(Manager)
Huntley Management Limited
(Trustee)

Overview

Contents

1. Overview
2. National Disability Insurance Scheme update
3. Specialist Disability Accommodation update
4. Investment strategy review
5. Equity and debt summary
6. Portfolio
7. Schofield Gardens
8. Portfolio activity
9. Trust financial targets
10. New Trust
11. Directory

Overview

- Australian Healthcare Management (“**AHM**”) appreciates your financial commitment to launch the SDA Investment Trust (“**SDAIT**”)
- Equity committed to the Fund is \$7.025m
- Equity 100% called
- Three investments secured and fourth subject to documentation
- Portfolio of 51 SDA beds
- First investment, Schofield Gardens was settled on 19 August 2021
- Schofield Gardens’ valuation for debt at 28% higher than all in cost
- First tenant committed to occupy Schofield Gardens in October 2021
- Tenant discussions progressing in line with occupancy targets
- Return targets on-track for 8%+ distribution yield when leasing objectives achieved
- IRR to 30 June 2027 target of 15% based on valuation experience with first investment

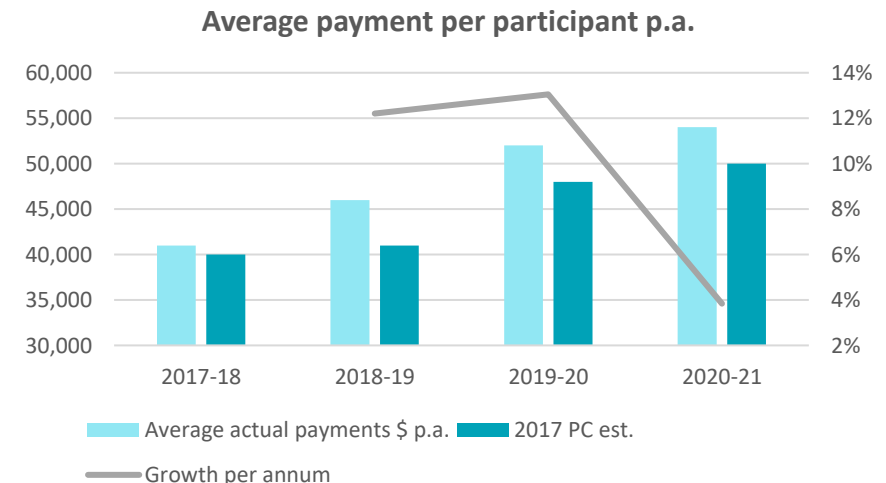
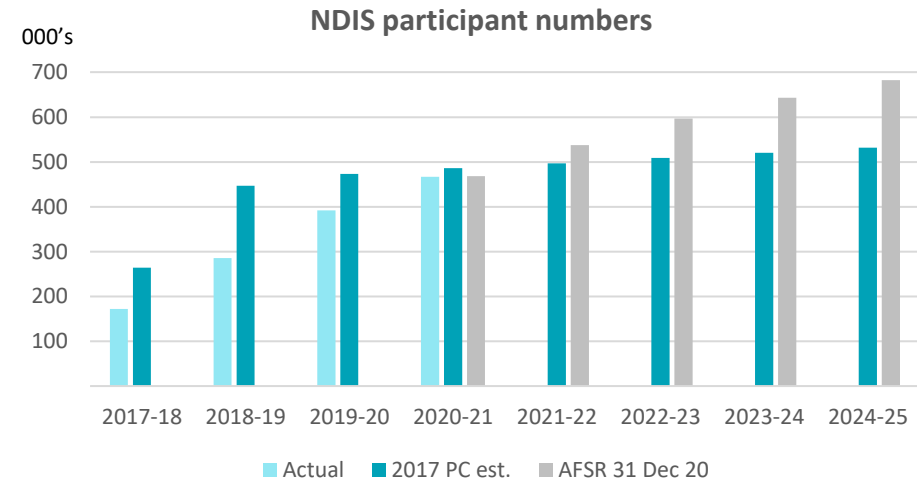
National Disability Insurance Scheme (NDIS) update

- The National Disability Insurance Scheme is maturing indicated by the growth in participants shown in the adjacent chart
- As shown in the table below and adjacent charts the cost of the scheme is growing more rapidly than anticipated driven by:
 - Higher total participant numbers in the Scheme
 - Higher average benefit per participant
- Sustained significant growth in average participant costs will place significant pressure on Scheme’s sustainability and long term affordability
- NDIS has strong bi-partisan political support and the Government is exploring ways to ensure the Scheme remains affordable now and into the future
- In response to the Governments expected effort to improve efficiency, the Manager has increased the proportion of 2 bed High Physical Support dwellings in the Portfolio which are a more price efficient option for Participants / the Scheme

Total participant costs (\$m)	2021-22	2022-23	2023-24	2024-25	Total
2017 PC est.	23,708	25,238	26,839	28,500	104,285
AFSR 31 Dec 20	28,139	32,900	36,905	40,659	138,603
Difference	(4,431)	(7,662)	(10,066)	(12,159)	(34,318)

2017 Productivity Commission Estimates (“**2017 PC est.**”)
 Scheme Actuary of NDIS Interim Financial Sustainability Report report (“**AFSR 31 Dec 20**”)

Source: June 2021 NDIS Quarterly Report to disability ministers

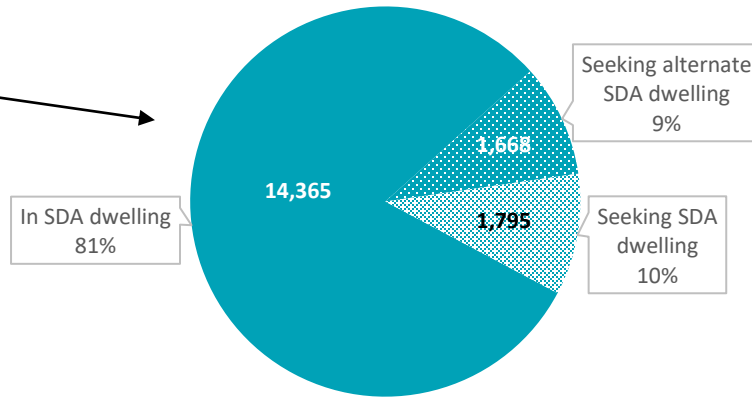


Specialist Disability Accommodation update

As Scheme matures, NDIS expects 28,000 people to require SDA nationally

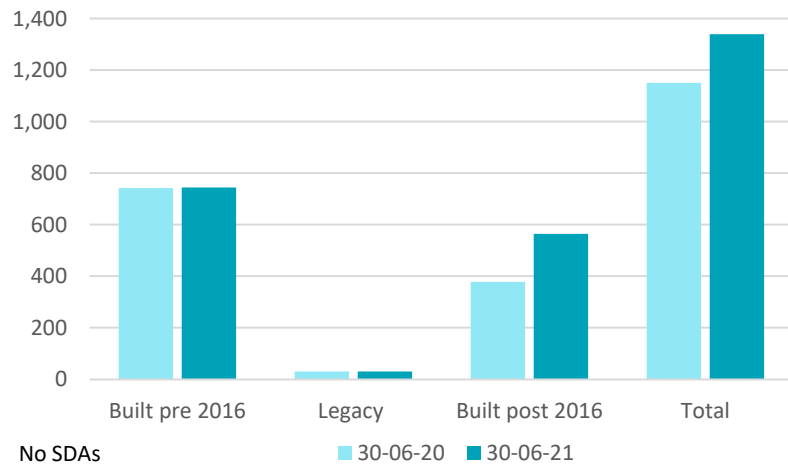


National SDA current demand

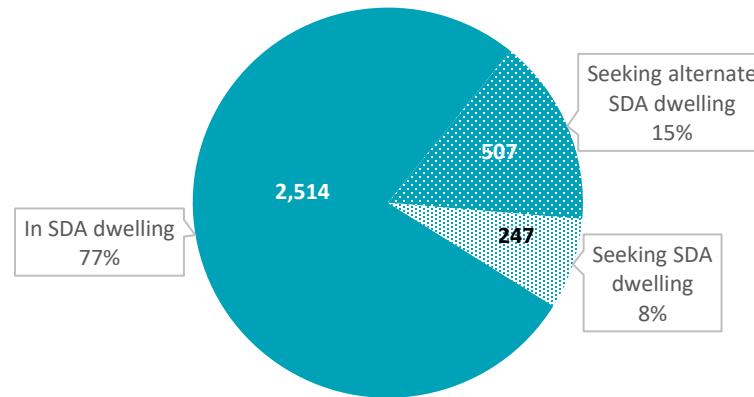


- 1,051 people commenced to receive SDA in year to 30 June 21
- 19% (3,463) SDA approved people are currently seeking a dwelling

Sydney composition and growth of SDA



Sydney SDA current demand



- 186 dwellings added to Sydney's supply in year to 30 June 2021
- 23% (754) SDA approved people are currently seeking a dwelling

Source: June 2021 NDIS Quarterly Report to disability ministers

Investment strategy review

Portfolio

- Acquire a portfolio of SDA's based on tenant demand identified through Home Caring client base
- Deliver a high income return with cash flow backed by government funding
- Target assets with the potential for long term capital appreciation
- Invest with down-side protection – potential to revert to standard residential use
- Partner developers able to deliver attractive quality product

Asset acquisition criteria

- Initial focus on growing urban areas in Sydney & then diversify across other geographies
- Close to desirable amenities:
 - accessible transport;
 - retail hub; and
 - medical facilities.
- Focus on SDAs with the provision of on-site care
- Fits-out to be inclusive of purchase price
- Target discounts for bulk acquisitions
- SDA certified
- Include mix of SDA beds per dwelling

Equity and debt summary

- Committed equity was fully called in June 2021
- Equity was required to pay the Trust's establishment and administration costs and to secure the acquisition of apartments at:
 - Schofield Gardens;
 - Vue at Blacktown; and
 - Amara at Westmead.
- The equity was called earlier than anticipated to negotiate better debt terms – the bank offering best terms could not have funding in place at the time of the Schofield Gardens contract exchange
- Settlement on Schofield Gardens occurred two months later than anticipated due to Vendor caused delays on registering the apartments with the NDIS – settlement was subject to registration
- A fourth asset, the Hoxton, is to be acquired subject to documentation being agreed. This asset is from the same Developer/ Vendor as Schofield Gardens and is for completion in September quarter 2022.

Debt summary

Facility approved for	\$3.6m
Variable base rate (BBSY 3 months), currently	~0.07%
Facility line fee (added to variable base rate)	1.75%
Interest rate currently	~1.82%
Establishment cost	~\$20,000
Facility expiry	31 July 2024
Total principal to be repaid over the last 7 quarters of facility	\$315,000
Security limited to the assets of the Trust, no director's guarantee	
Further debt facilities will be secured as each property is to settle	

Portfolio (51 SDA beds)

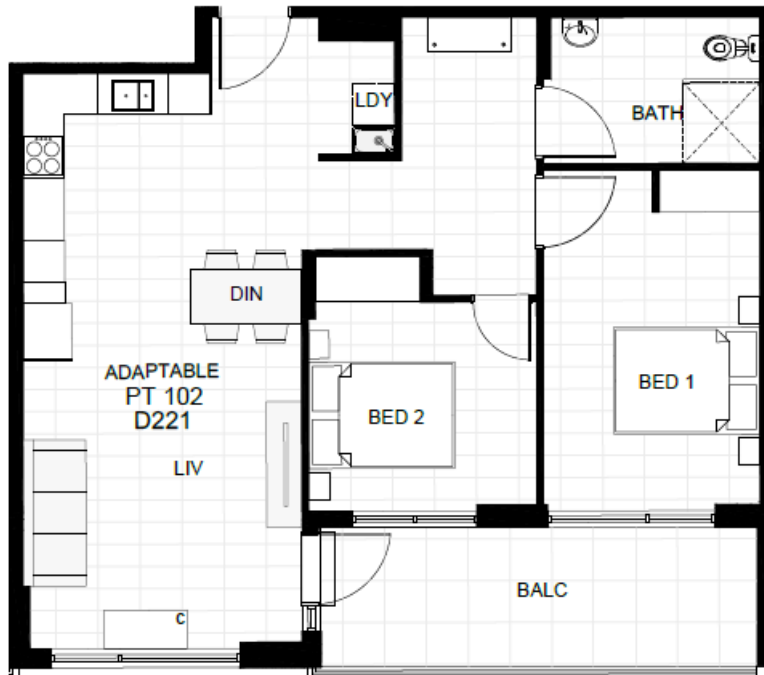
Asset name	Schofields Gardens	Vue#	Amara	Hoxton
Address	95B Grima St, Schofields, NSW	1-5 Oxford St, Blacktown, NSW	102-108 Great Western Hwy, Westmead, NSW	6 Gillespie Street, Liverpool, NSW
Building type	Apartments in complex of 147	Apartments in complex of 88	Apartments in complex of 50	Apartments in complex of 311
No. SDA dwellings/ beds	9 SDA apts /9 SDA beds	9 SDA apts/ 15 SDA beds	7 SDA apts / 13 SDA beds	7 SDA apts / 14 SDA beds
Design category	High Physical Support	High Physical Support	High Physical Support	High Physical Support
On-site Overnight Assistance	1 apartment, studio	1 apartment, one bedroom	1 apartment, one bedroom	1 apartment, one bedroom
Total no. apartments	10	10	8	7
Proximity to desired amenities	<ul style="list-style-type: none"> • 1km walk to Schofields train station; • supermarkets within 1.1km walk 	<ul style="list-style-type: none"> • 900m walk to Blacktown train station • 1.1km walk to Westpoint S. C. • 1.5km to Blacktown Hospital 	<ul style="list-style-type: none"> • 1.4km walk to Parramatta train station (route serviced by bus also) • 900m walk to Westfield S. C. • 1.9km to Westmead Hospital 	<ul style="list-style-type: none"> • 1.5km walk to Liverpool train station • 1.6km walk to Westfield S. C. • 1.8km to Liverpool Hospital
Valuation as SDA	\$7.45m at 21 June 21	Not yet complete	Not yet complete	Not yet complete
Settlement	19 August 2021	Sept qtr 2022	Dec qtr 2022	Sept qtr 2022

100% managed by AHM. 50% being retained by the Developer

Schofield Gardens – 95B Grima St, Schofields

Features

- 2 bedrooms, one for High Physical support
- Easterly aspect, creating lighted fill rooms
- Set in a tranquil setting, across the road from Glory Park
- Serviced by hospitals at Blacktown, Hawkesbury and Rouse Hill
- Typical floor plan shown below. Internal area 79sqm. Balcony 11sqm.

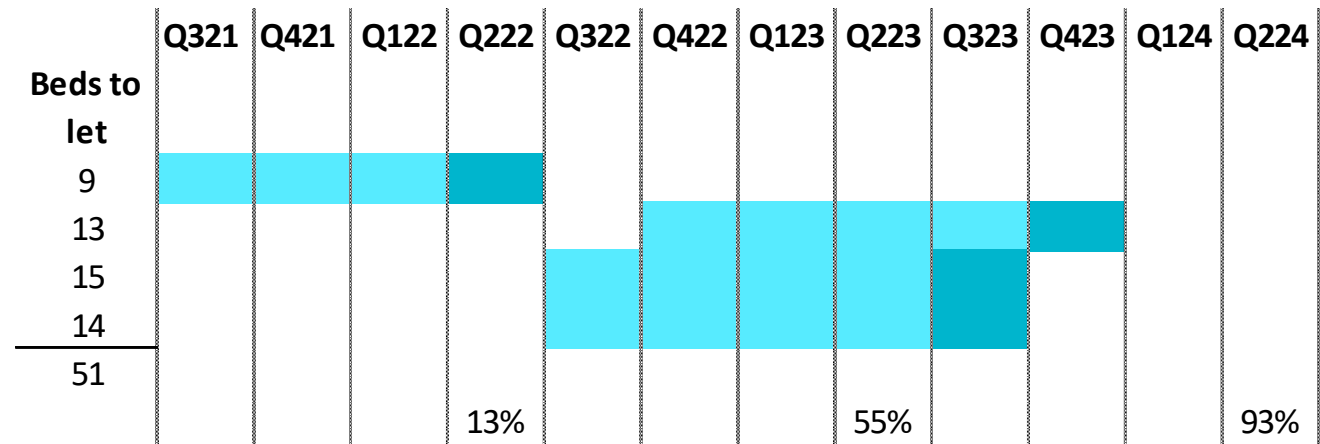


Portfolio activity

- Key focus for portfolio is on letting the assets to SDA approved NDIS participants
- Chart below shows the target progressive let up of the portfolio
- Let up period is shown from acquisition settlement although Home Caring commences identifying tenants in advance

Calendar quarters

95B Grima St, Schofields, NSW	9
102-108 Great Western Hwy, Westmead, NSW	13
1-5 Oxford Street, Blacktown, NSW	15
6 Gillespie St, Liverpool NSW	14
Total beds	51
Average portfolio occupancy for financial year	



Average occupancy based on the target income for 51 beds

Let up period █
 Target occupancy reached █

Trust financial targets

Trust financial targets							Comments	
Equity committed and drawn							\$7.03m	
Portfolio current valuation							\$7.95m	Increase attributable to Schofield Gardens valuation
Trust's target IRR extrapolating valuation uplift on Schofield Gardens to Portfolio							15%	Assumes same valuation uplift for all assets and debt at average of 60% loan-to-cost ratio
Financial year (\$m)	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	<ul style="list-style-type: none"> • First two years are lease-up phase • SDA payments are indexed to CPI annually • Home Caring and the AHM's fees are a % of rent received • Interest rate on debt assumed to steadily increase, starting at ~1.8% and reaching 4.5% for 2026-27 • The Trust intends to distribute 100% of net profit on a half yearly basis. The first distribution will be in respect to the 2022-23 year. A proportion of the distribution will be tax deferred. The amount of the tax deferral will be determined post settlement of each asset. 	
Portfolio rent	0.21	0.93	1.57	1.63	1.67	1.70		
Home Caring SDA Access fee	(0.01)	(0.03)	(0.05)	(0.06)	(0.06)	(0.06)		
Property operating expenses	(0.07)	(0.19)	(0.22)	(0.22)	(0.23)	(0.23)		
Portfolio net property income	0.13	0.71	1.30	1.35	1.38	1.41		
Trustee fee and administration	(0.10)	(0.11)	(0.11)	(0.11)	(0.12)	(0.12)		
AHM's fee	(0.02)	(0.07)	(0.12)	(0.12)	(0.12)	(0.13)		
Borrowing expenses	(0.05)	(0.17)	(0.23)	(0.28)	(0.32)	(0.36)		
Trust net income	(0.04)	0.36	0.84	0.84	0.82	0.80		
Trust income yield on equity	0%	5%	12%	12%	12%	11%		


New Trust

- AHM is launching a new Trust, the Disability Accommodation Trust (“**DAT**”)
- DAT to have same strategy as SDAIT and may include investing in disability accommodation which is not classified as SDA
- DAT will target acquiring SDA’s in the Robust category
- DAT will acquire 33% of units in SDAIT’s sub-trust at market valuation
- SDAIT’s unitholders are invited to subscribe for an interest in DAT

Disability Accommodation Trust overview

- Targeting average fully let distribution yield of 8+% p.a. and equity IRR of 12%+
- Targeting \$15m equity, deploy capital of \$30m
- Target opportunities in Sydney, Melbourne & Brisbane and other locations with identified demand
- High Physical Support SDA close to desirable amenities:
 - transport;
 - retail; and
 - medical facilities.
- Robust accommodation to be single story dwellings
- Aspect and light for occupants a key consideration
- Mix of SDAs catering to both models of care: On-site Overnight Assistance & Supported Independent Living
- Fits-out to be inclusive of purchase price
- No development risk
- Majority of assets to be SDA Certified

Directory

Trust Manager: Australian Healthcare Management Pty Ltd
Stephen Charnock
Fund Manager
 stephen.charnock@homecaring.com.au

Trustee: Huntley Management Limited
John Knox
Managing Director
(02) 9233 5444

 sydney@huntleygroup.com.au