

QUARTERLY REPORT SEPTEMBER 2018

BARWON HEALTHCARE PROPERTY FUND

Barwon Investment Partners is an investment management company specialising in property and private equity.

Performance Report at 30 September 2018

Unit Price		Income Return	Capital Return	Total Return	
31 May 2018	1.1184	6 months	4.67%	-1.89%	2.78%
30 June 2018	1.1273	12 months	7.92%	-0.34%	7.58%
31 July 2018	1.1074	ITD¹	7.35%	0.84%	8.19%
31 August 2018	1.1187	¹ Inception date: 10 October 2014.			
30 September 2018	1.1215				

Total income return for the year to September 2018 is 7.92%

The Fund returned 7.58% p.a., with the income return and capital return comprising 7.92% and -0.34% respectively in the 12 months to 30 September 2018 (net of fees and expenses, but pre-tax). This outcome occurred largely as a result of a leasing transaction at Croydon that resulted in a c \$1 million payout from the tenant for fitout and rent, giving rise to a spike in the Fund's income return and a modest decline in capital return, as a result of the corresponding downward revaluation of the asset.

Distribution

The distribution paid to investors as at 30 September will be \$0.0245 per unit and the ex-distribution unit price is \$1.0970. Distributions will be paid to investors by 31 October 2018.

Asset Management

The Portfolio remains at 99% occupancy with no arrears.

Logan Mental Health Facility Expansion Scheme

- Additional 2,100 sqm fully let facility
- New 10-year lease

The team continues to progress the expansion scheme at the Logan asset, which is well progressed, but remains subject to formal leasing arrangements with Queensland Health. Under the proposed scheme, the building would be expanded by an additional 2,100 sq.m to accommodate the tenant's spatial demands. The entire premises will then be leased on a new 10-year lease. Planning approvals in the area are favourable, with a DA expected to be received in the next quarter. Images for the indicative scheme are shown below.



Artists Impression: Logan Mental Health Facility Expansion



Existing investment: Logan Mental Health Facility

Clinical Labs Pathology Laboratory, Adelaide, SA

Barwon is pleased to report that construction works at the Adelaide Pathology Laboratory are progressing in advance of our forecast timetable and within budget. Practical Completion is expected by December 2019. The Barwon team undertook a site visit in September and were impressed by the project, the progress to-date and the professionalism of the Developer and Principal Contractor.

Adelaide Pathology Lab

- 2,500 sq.m. fully let facility
- WALE 15-years



Construction Progress: Clinical Labs Pathology Laboratory

Revaluations

The following assets were revalued during the quarter ending 30 September 2018:

	Internal/ External	Previous Value	Current Value	% Increase to BV	Previous Capitalisation Rate	Current Capitalisation Rate
Croydon	External	\$10.44m	\$9.70m	-7.00% ¹	6.00%	6.00%
Parkside	Internal	\$13.50m	\$13.94m	+3.26%	5.68%	5.68%
Logan	Internal	\$21.91m	\$22.53m	+2.83%	7.00%	6.75%

¹ Downward revaluation as a result of the decline in income attributable to the tenant's fitout and rent payout, which was distributed to Fund investors.

New Investments

The September quarter saw the Fund acquire the following asset, which has a long lease in place to ASX-listed operator Primary Healthcare and adds further geographic diversity to the Fund:

Springfield Medical Centre, Springfield, QLD

The 750sq.m Springfield Medical Centre is situated on a 1,374sq.m corner allotment and is 100 per cent leased to Primary Healthcare with a WALE of 10 years at acquisition. Located on the outskirts of Brisbane, in one of Australia's leading growth corridors, the centre is supported by a favourable demographic outlook and enhances the Fund's geographic diversity.

Springfield Medical Centre

- 750 sq.m. fully let facility
- 100% leased to Primary Healthcare
- WALE 10-years



Pipeline

Barwon is current exploring a number of interesting opportunities, both on and off-market, including the acquisition, by way of sale and leaseback, of a portfolio of three Queensland medical centres each with new 10-year lease terms to a high-quality medical centre operator. Furthermore, Barwon has agreed to terms for the acquisition of a purpose-built medical centre located in the northern Adelaide suburb of Angle Park. The centre, which is majority leased to the South Australian State Government, has a circa 9-year WALE and is forecast to return an IRR of 9.30% to Fund investors.

Portfolio Attributes

Following the completion of the Australian Clinical Labs Pathology Lab and subject to the acquisition of the assets mentioned in this update, the Fund portfolio will be as follows:

Asset	State	Valuation	Tenants	Occupancy	WALE
Eastbrooke Medical Centre, Belmont	VIC	\$7.8m	5	100%	4.0
Croydon Family Practice	VIC	\$9.7m	1 ¹	100%	5.6
Newmarket Medical Centre	QLD	\$8.3m	6	85%	2.7
Logan Mental Health & Addiction Facility	QLD	\$22.5m	1	100%	3.1
Munno Parra Medical Facility	SA	\$5.4m	3	100% ²	6.8
Klemzig Medical Centre	SA	\$3.4m	1	100%	3.1
Bendigo Medical Centre	VIC	\$12.3m	4	100% ³	3.5
Modbury Diagnostic Imaging Clinic	SA	\$5.6m	2	100%	3.4
Hallet Cove Allied Care Facility	SA	\$4.9m	4	100%	4.5
Parkside Medical Centre	SA	\$13.9m	3	100%	4.4
Vasse Medical Centre	WA	\$8.6m	5	100%	8.1
Eastbrooke Medical Centre, Carlton	NSW	\$8.0m	1	100%	9.5
Australian Clinical Labs Pathology Lab	SA	\$10.4m	1	100%	15.0
Wollongong Medical Centre	NSW	\$10.1m	1	100%	11.9
Cowes Medical Centre	VIC	\$8.8m	4	100%	5.5
Allcare Medical Centre	SA	\$8.0m	2	100%	10.0
Woodville Community Mental Health Centre	SA	\$15.8m	2	100%	8.7
Melton Medical Centre	VIC	\$16.0m	1	100%	7.1
Springfield Medical Centre	QLD	\$5.2m	1	100%	9.9
Total		\$187.9m	48⁴	99%	6.6

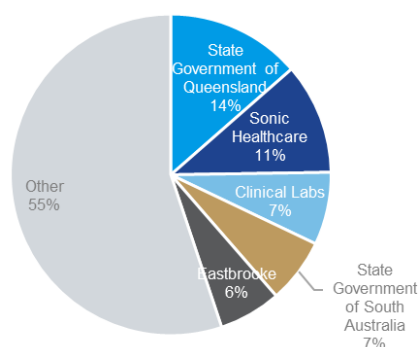
1 Headlease to Healthscope with three sub-tenants.

2 Includes a 36 month rental guarantee on a small vacancy, which is actively being marketed.

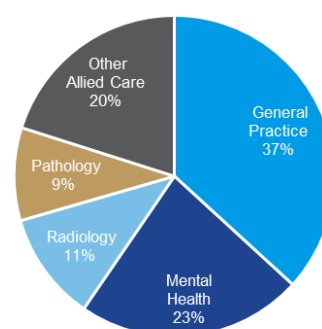
3 Includes a 24-month rental guarantee on a small vacancy, which is actively being marketed.

4. IPN, I-Med, Care Medical occupy multiple tenancies across the portfolio.

Key Tenants (Proforma)



Key Tenant Use (Proforma)



Note: Both the charts above are based on % of Net Operating Income.



Contact Us
+61 2 9216 9600

Barwon Investment Partners
Level 3, 17 Castlereagh Street
Sydney NSW 2000 Australia

For More Information

Rob Morrison (rob.morrison@barwon.net.au) or
Tom Patrick (tom.patrick@barwon.net.au)
www.barwon.net.au

DISCLAIMER While every care has been taken in the preparation of this document, Barwon Investment Partners Pty Limited ABN 19 116 012 009 AFSL 298445 makes no representation as to the accuracy or completeness of any statement in it, including without limitation, any forecasts. Past performance is not a reliable indicator of future performance. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to the investor's objectives, financial situation and needs. This document is solely for the use of the party to whom it is provided.