

Centuria Group Limited

2016 Annual General Meeting

Chairman's Address



29 NOVEMBER 2016

INTRODUCTION

Good morning ladies and gentlemen and thank you for joining us this morning at Centuria Capital's Annual General Meeting. My name is Garry Charny and I am pleased to be addressing you in my inaugural year as Chairman of the Group.

I must start with a vote of thanks to my predecessor, Roger Dobson, who retired from the board in March this year after almost a decade of service. Roger joined the Centuria Board in 2007 and has been at the forefront of repositioning the company and laying solid footings for the future. As much as I would like to claim sole credit for this year's exceptional results, the truth is the success is in great part his. We thank Roger for his leadership and commitment and are pleased that he has been able to continue to sit on the boards of some of our subsidiaries.

I am sure most of you are awaiting an update on our proposed acquisition of the 360 Capital Management Platform but if I may first speak to the year that was and go back to the future shortly. Also, much of what I am about to say will be more general in nature so as not to steal Mr McBain's thunder

By way of highlights for the financial year 2016 I can pleasingly report:

- The Group achieved a net profit after tax of \$10.4 million, up from \$6.3 million in FY14/15
- The sale of 175 Castlereagh Street, Sydney achieved c.30% IRR for investors in just over a 2 ½ year period. The asset was purchased in 2013 for \$56 million dollars and sold for \$98 million. The sale of 80 Waterloo Road, Macquarie Park also saw significant investor returns - the property was purchased for \$25 million and sold for \$101 million.
- Returns for CNI shareholders were also improved from the previous financial year with dividends increasing by 11 per cent, resulting in a fully franked dividend of 5.25 cents per share.

UNLISTED PROPERTY DIVISION

Without diminishing any other part of the business, I am pleased to say that FY16 saw the Unlisted Property Funds Division achieve disciplined growth, meet guidance targets and most pleasingly, saw it produce the division's highest profit to date. Asset sales made during the year made a considerable contribution to income and generated substantial performance fees for the division.

Centuria also announced its co-investment with global investment firm, BlackRock, to purchase The Zenith in Chatswood, for \$279m. Settled in July this year, The Zenith is Centuria's largest acquisition to date and is an institutional grade office asset with 40% of its rental income coming from government tenants. Centuria will utilise its internal management capability to refurbish the asset as well as repositioning the tenancy profile to extract further value.

Through our only development fund, we undertook a residential property construction at Belmont Road in the Sydney suburb of Mosman. The former office block was demolished to make way for a residential development site consisting of a combination of 62 units & townhouses. The Fund is performing to forecast with the development fully sold. Construction has been completed with purchaser settlement expected in early 2017.

Our unrelenting goal is to meet our clients' need for quality investment products that continue to offer strong, stable yields. Jason Huljich and his team are confident that the range of new funds to be launched in the current financial year will attract strong interest from investors.

CENTURIA LIFE

An often overlooked part of the Centuria family is Centuria Life which maintains its strong position as the fourth-largest friendly society and insurance bond issuer in Australia, with 10.4 per cent market share (source: Plan for Life, June 2016).

Our Investment Bond division reported an underlying profit of \$4.7m (vs. \$5.8m in the previous corresponding period). Profit was down year-on-year as a result of increased marketing and staff costs as we reposition this business for growth. Total FUM increased in FY16 and we are forecasting further FUM growth in FY17 for the non-legacy book. The steady growth in policy holders that we saw in FY15 continued in FY16, increasing from approximately 83.8k in FY15 to 85.1k in FY16, and we expect this growth trajectory to continue.

At 30 June 2016, CLL had total funds under management (FUM) of \$720 million. Of the total FUM, Centuria Life Investment Bonds managed \$350 million and the Over Fifty Guardian Friendly Society managed \$370 million.

It is gratifying to note that the efforts put into developing CLL's product suite has resulted in its four main bonds being ranked either first or second in the Morningstar peer rankings for FY15/16.

FY16 saw the division successfully diversify its product offering by launching its White Labelling strategy. The first bond offering was co-branded with Providence Wealth and the division is targeting more white-labelling opportunities, focusing specifically on boutique high net worth advisers.

We continue to have quiet expectations for the medium and long-term growth prospects for this business. Its annuity style products fit well with our strategy of building a product portfolio that offers investors a greater security of stable income growth.

360 CAPITAL GROUP ACQUISITION

Now to the 360 Capital Group Acquisition. I have a feeling that John McBain will want to take you through the transaction in some detail so let me spend a moment on the holistic view of the transaction and the Board's underlying thinking in entering into it.

On the 23rd November the Group announced that it had agreed to acquire the majority of 360 Capital Group's (TGP) real estate management platform, including co-investment interests in listed funds for a total of \$217 million.

As at today's meeting there are still a number of Extraordinary General Meetings to take place before the transaction becomes unconditional.

It is trite to say that our critical driver is always the fundamental question of how to improve shareholder value at a time of historically low interest rates and relatively high property prices. We have been of the view for some time that in order to make the best use of Centuria's management capabilities and industry strength and experience we required a substantially larger platform and balance sheet. Whilst not dismissing organic growth as an important driver, it was clear to us that was a deliberate but slow path ahead for our shareholders.

The availability of the 360 Platform opportunity had been speculated on by the fourth estate for some months - when the opportunity arose in reality it required decisive and clear analysis by Management on a complex transaction, that gave the Board complete comfort about its merits. Can I say, as an aside, that the President Elect's success on the 8th November almost upended the apple cart.

Notwithstanding that moment, the transaction as it stands, and once completed, takes the Group into a new phase of growth and expansion. Whilst our core values and business remain the same, it transitions Centuria to a higher plane, taking our FUM from \$2.2bn to \$3.6bn and our market capitalisation from approximately \$80m to \$230 million

More importantly, it will allow the Group to fulfil its strategy of growing the property funds platform, growing recurring revenues and allowing for an increased level of co-investment in our managed funds.

It will be brought before you at the EGM on 3rd January.

APPOINTMENT OF SUSAN WHEELDON-STEELE

Reports should have reached you of the recent appointment of non-executive director, Susan Wheeldon-Steele, which rounds out a pleasingly broad church within Centuria's Board. She is currently Industry Head – Performance Solutions at Google having worked previously at, *inter alia*, AMP and King Wood Mallesons. Susan will help future proof both Centuria and the Board, adding valuable input and experience in our dealings with the digital environment we now exist in. She also helps us take a small but meaningful step in the right direction of correcting the gender imbalance on our Board. We should receive no bouquets for putting in place that which intellect and common sense demand and was overdue. We welcome her formally to the Board.

CONCLUSION

Finally, I would like to offer my sincere thanks to my fellow non-executive directors, to our executives and to all of our staff for their contribution to the Group's success throughout the year. In particular, I must make mention of our Group CEO John McBain and the heads of our various divisions, Nick Collishaw, Jason Huljich and Neil Rogan for their enthusiasm, dedication and expertise. It has been an arduous year but, I am pleased to say, the hard work has only just begun.

Your Board is optimistic that the year ahead will build on the success and momentum being generated by the business.

I will now hand over to John McBain, Centuria Group CEO.

Centuria Group Limited

2016 Annual General Meeting

Group CEO's Address



29 NOVEMBER 2016

Thank you Mr Chairman and I also wish to welcome shareholders to the 2016 Centuria Capital Annual General Meeting.

The 2016 financial year was exceptionally strong for the Group, a year where we achieved not only a record profit but one in which we substantially increased our funds under management by around 21%. This success assisted in reinforcing our capital base to fund expansion of the group and I will discuss this shortly.

Record FY16 result driven by an exceptional year for Unlisted Property

Centuria reported an underlying net profit of \$10.4m for the 2016 financial year, an increase of 65% on the previous corresponding period. This strong growth was the result of recurring fees from our property funds management and Investment Bond businesses and in addition, performance fees from the significant profits on the sale of 80 Waterloo Road, Macquarie Park and 175 Castlereagh Street, Sydney.

In summary

	FY16	FY15
Underlying net profit after tax	\$10.4 m	\$6.3 m
Underlying earnings per share (basic)	13.7 c	8.1 c
Full Year Dividend per share (fully	5.25 c	4.75 c

Our Unlisted Property division, led by my fellow director Jason Huljich, acquired \$265m of assets in FY 16, including the \$104m purchase of three buildings in Australian Technology Park in Sydney and the \$109m acquisition of the remaining interest in the Seven Group's headquarters in the same park. As our Chairman mentioned, the division has also had a strong start to the 2017 financial year having recently acquired a landmark office asset, The Zenith in Chatswood, for \$280m and yesterday we announced the exchange of contracts on a \$71 million office block in Canberra.

Over the past 12 months the unlisted division has acquired \$455 million of investment property for new funds and market conditions continue to be favourable for this business. We plan to make further acquisitions as the year progresses, increasing FUM as we do so. The demand for high quality yield-based funds throughout our investor network has not diminished and in fact appears to be building.

FY16 marked the first full year of operation for our listed property platform, Centuria Metropolitan REIT (CMA), led by my fellow director Nicholas Collishaw.

Distribution forecasts were met and the trust partnered with our unlisted property division to acquire a 50% interest in 203 Pacific Highway, St Leonards for \$43m.

We are pleased that in FY16, CMA delivered on its financial forecast - distributing 17c per stapled security. Portfolio holdings also grew by 9.3% to approximately \$400m and NTA increased by 21c to \$2.18 per security as at 30.6.16. CMA is building a quality portfolio based around metropolitan markets, the same markets Centuria has specialised in for almost 20 years. CMA also utilises Centuria's in-house capabilities in property management, development and accounting.

Management will continue to focus on generating value for CMA investors through our integrated business approach. This will be achieved in part by maximizing tenant retention, initiating refurbishment and repositioning strategies and identifying fit-for-purpose assets to complement the existing portfolio. The trust is well positioned for growth in income and capital.

As the Chairman mentioned earlier, our Investment Bond division reported an underlying profit of \$4.7m for FY16. While profit was down year-on-year as a result of increased marketing and staff costs, total FUM increased in FY16 and management is forecasting further FUM growth in FY17. As savers begin to feel the impact of recent regulatory restrictions on superannuation, we believe the option to invest in tax effective Investment Bonds continues to become more attractive in a relative sense. We are proud of the performance of our Centuria Life unit-linked bonds and continue to see strong growth in the Guardian funeral bonds.

Looking forward, we expect the underlying profit result for the 2017 financial year to benefit from higher recurring fee income as we continue to add to our funds under management. This anticipated improvement in earnings quality is already well supported by the management fees to come from the recent acquisition of The Zenith in Chatswood, our impending Canberra acquisition and further acquisitions we have ear-marked.

Our platform is unique and its success is the result of a long history of consistently delivering solid returns to our investors. We have a wide network of high net worth investors, financial advisors and institutions which is unparalleled in Australia.

Our recent partnerships with BlackRock, Mirvac and our Centuria Metropolitan REIT were complemented by overwhelming support from our internal investor network with the 203 Pacific Highway, ATP and Zenith Funds closing fully subscribed.

Also, at our recent Extraordinary General Meeting, security holders voted overwhelmingly in favour of the introduction of a stapled structure which allows corporate revenues such as management fees to continue to flow through Centuria Capital Limited and co-investment distributions to flow through Centuria's stapled trust directly to security holders.

Acquisition of 360 Capital Group's real estate platform

On the 23rd November the Group announced that it had conditionally agreed to acquire the majority of 360 Capital Group's (TGP) real estate management platform for \$217 million in a fully underwritten equity raising.

The transaction involves Centuria acquiring 360 Capital Investment Management Limited (CIML), the manager of 360 Capital Industrial Fund (TIX) and 360 Capital Office Fund (TOF) plus four unlisted real estate funds. It also includes the acquisition of TGP's co-investment stakes in TIX (15.6%) and TOF (19.99%).

In addition, Centuria Metropolitan REIT (CMA), announced it will acquire a further 8.8% of 360 Capital Office Fund (TOF) from 360 Capital Group's, conditional on TOF unitholder approval with a meeting scheduled for late December.

The acquisition of this real estate management platform will take the Group into an exciting new phase of expansion and transition Centuria to its next stage of growth. Importantly, it will take our FUM from \$2.2bn to \$3.6bn, an increase of 63%. Centuria capital market capitalisation would also increase significantly from approximately \$80m to \$230 million (based on the \$1.00 issue price)

This transaction will assist the Group to fulfil its strategy of growing the property funds platform, growing recurring revenues and allowing for an increased level of co-investment in our managed funds and deliver three market leading property funds management platforms. It is anticipated that an extraordinary general meeting of Centuria Capital Group shareholders will be called on 3rd January for shareholders to vote on the conditional placement element of the equity raising in respect of the transaction.

All security holders will receive detailed information on the transaction leading up to this meeting and this information will also be available on our website.

There have been significant changes to our Board in FY16. I would like to echo our Chairman's thanks to Roger Dobson, who resigned as Chairman earlier this calendar year. The management team has appreciated the guidance and support that Roger has given us over the years of his chairmanship and he has supported me in my capacity of CEO at every level. In short, Roger has contributed greatly to making Centuria what it is today.

I wish to welcome our new Chairman, Garry Charny, to the Board. We have known Garry for a number of years and he understands our business intimately. Since joining the board Garry has worked tirelessly alongside us and we look forward to his guidance and insights in the forthcoming period of growth.

The addition of our latest non-executive director, Susan Wheeldon-Steele, rounds out the considerable experience within Centuria's Board and we welcome her warmly. I would like to acknowledge the counsel of all my fellow Board members and thank them for their continued dedication to the growth of the business and the hands on approach they take in working directly alongside management.

A business is only as good as its people and I want to take this opportunity to thank the senior management team for their leadership and hard work and the entire Centuria staff who are a tight-knit team of dedicated people who I am proud to work alongside.

It is pleasing to be able to report on the positive progress of the Group for FY15. I am privileged to work with a highly-skilled and well-motivated management team and I want to thank them and the entire team for their engagement and the hard work they have put in to achieve our goals. I would also like to express my sincere thanks to the Chairman and non-executive directors for their devotion to the company and their guidance and counsel.

Finally, I would like to thank you, our shareholders for your continued support and the great interest you take in our progress and ambitions. Centuria Capital is committed to repaying this support through the steady growth in shareholder returns.

I will now hand you back to The Chairman to run through the formalities of the meeting.

John McBain
Group CEO